LEGISLATIVE HISTORY

Public Law 433--81st Congress

Chapter 786--1st Session

H. R. 3699

TABLE OF CONTENTS

FEDERAL FARM LOAN ACT AMENDMENTS. Amends the Federal Farm Loan Act so as to authorize loans through national farm loan associations in Puerto Rico, thus making the interest provisions the same as for the U. S. and according each direct loan borrower who joins an association an interest reduction of ½%; and to extend the same authority to Alaska. Also increases from $50,000 to $100,000 the limitation on loans to any one borrower; repeals the law creating a paid-in surplus revolving fund and returns the funds appropriated therefor to the surplus fund of the Treasury; removes the requirements that a farm loan registrar shall cause payments on mortgages pledged as bond collateral to be credited to the individual mortgages, and that interest payments on pledged mortgages be reported to the registrar; and provides that the land banks rather than the registrar shall cancel mortgages paid in full, and that the banks, by furnishing the borrower a release, shall be relieved of the duty of paying the local recording fee for discharging liens.

March 22, 1949	H. R. 3699 was introduced by Rep. Poage and was referred to the House Committee on Agriculture. Print of the bill as introduced.
April 7, 1949	Hearings: House, H. R. 3699 and H. R. 848.
May 2, 1949	S. 1750 was introduced by Senator Thomas and was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced. (Companion bill).
May 27, 1949	House Committee reported H. R. 3699 with amendments. House Report 694. Print of the bill as reported.
June 24, 1949	House Rules Committee reported H. Res. 266 for the consideration of H. R. 3699. Print of the Resolution.
July 11, 1949	House debated and passed H. R. 3699 with amendments.
July 12, 1949	Print of H. R. 3699 as referred to the Senate Committee on Agriculture and Forestry.
October 11, 1949	Senate Committee reported H. R. 3699 without amendment. Senate Report 1144. Print of the bill as reported.
October 17, 1949	Senate debated and passed H. R. 3699 as reported.
October 18, 1949	House and Senate conferees appointed.
October 19, 1949	Conference report submitted. House Report 1460.
	Both Houses agreed to the conference report.
October 29, 1949	Approved. Public Law 433.

81ST CONGRESS
1ST SESSION

H. R. 3699

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 1949

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended

by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue

a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The last sentence of the first paragraph of section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is further amended by striking the words "by such branch bank" from the proviso at the end thereof.

(c) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 723 (a)), is further amended by striking the words "in the continental United States".

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the

Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit

such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

81ST CONGRESS
1ST SESSION

H. R. 3699

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

By Mr. POAGE

MARCH 22, 1949
Referred to the Committee on Agriculture

FEDERAL LAND BANKS

BANKS FOR COOPERATIVES

HEARINGS

BEFORE

SUBCOMMITTEE NO. 1 OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 3699

TO AMEND FEDERAL FARM LOAN ACT

AND

H. R. 848

RETIREMENT OF GOVERNMENT CAPITAL IN BANKS FOR COOPERATIVES

APRIL 7 AND MAY 4, 1949

Serial Y

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CONTENTS

Federal Land Banks

Banks for Cooperatives (Retirement of Government Capital)

FEDERAL LAND BANK

WEDNESDAY, MAY 4, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 1 OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

Subcommittee No. 1 met at 2 p. m., pursuant to call, in room 1308 of the New House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Mr. POAGE. The committee will come to order.

We will proceed to hear the witnesses on H. R. 3699, which is the bill to extend the powers of the Federal land bank, or change the powers thereof.

(H. R. 3699 is as follows:)

[H. R. 3699, 81st Cong., 1st sess.]

A BILL To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one barrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economics in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act as amended (title 12, U. S. C. 672), is hereby further amended by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The last sentence of the first paragraph of section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is further amended by striking the words "by such branch bank" from the proviso at the end thereof.

(c) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 723 (a)), is further amended by striking the words "in the continental United States."

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said regsitrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

Mr. POAGE. Our first witness is Mr. Isleib. Will you proceed as you see fit, Mr. Isleib?

STATEMENT OF J. R. ISLEIB, LAND BANK COMMISSIONER, ACCOMPANIED BY E. C. JOHNSON, ASSISTANT DEPUTY LAND BANK COMMISSIONER, AND CARL COLVIN, DEPUTY GOVERNOR, FARM CREDIT ADMINISTRATION

Mr. ISLEIB. Subsequent to the introduction of H. R. 3699, the Secretary of Agriculture forwarded a letter to the Speaker of the House in which he submitted substantially as a matter of fact the same amendments to the Farm Loan Act with the recommendation that they be passed, and since H. R. 3699 contains all of those amendments exactly, I suggest if agreeable to the committee that Secretary Brannan's letter, which discusses the amendments in considerable detail, be made a part of the proceedings.

Mr. POAGE. Without objection we will make that a part of the record right now.

(The information is as follows:)

APRIL 18, 1949.

The SPEAKER, HOUSE OF REPRESENTATIVES.

DEAR MR. SPEAKER: There is transmitted herewith a proposed bill entitled "A bill to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm loan associations in Puerto Rico; to modify the limitations on Federal land bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes."

The purposes of the amendments to the Federal Farm Loan Act which would be made by this bill are to improve the functioning of the Federal land banks as a cooperative system and to simplify and improve internal operations of the banks. The bill also repeals the authority for subscriptions to paid-in surplus of the Federal land banks and causes the entire amount appropriated therefor ($189,-

000,000) to be transferred from a revolving fund to the surplus fund of the Treasury. A more detailed explanation of each section of the bill follows:

Section 1: Under existing law, only direct loans through a branch bank are being made in Puerto Rico. There is no legal authority for organizing or chartering national farm loan associations on the island. The congressional debates on the act of February 27, 1921 (41 Stat. 1148), which extended the Federal Farm Loan Act to Puerto Rico, indicate that provision was made for only direct loans for two reasons: (*a*) The probable difficulty of establishing associations in Puerto Rico at that time, and (*b*) the desire to move slowly and gain experience with direct loans in the island, which were originally authorized subject to three provisions not applicable to loans in the United States; (1) a maximum amount of $5,000; (2) a maximum term of 20 years; and (3) an interest rate one-half of 1 percent higher than the rate in the United States on loans through associations The debates further indicate, however, that a number of the Congressmen who voted for the measure hoped that eventually the act would extend to Puerto Rico under substantially the same conditions which are applicable to farmers in the United States.

The act of February 27, 1921, has since been amended twice so that the maximum amount of loans to any one farmer is now the same in Puerto Rico as in the United States. Section 1 of this bill would make it possible to organize national farm loan associations in the island, make the provisions governing interest rates on loans through national farm loan associations in the United States applicable to loans through such associations in Puerto Rico, and accord to each direct loan borrower on the island who joins a national farm loan association an interest reduction of one-half of 1 percent beginning with the next regular installment date following the endorsement of his loan. Thus another step would be taken to extend to Puerto Rican borrowers the same statutory provisions which are applicable to borrowers in the United States.

In the years intervening since 1923, when the branch bank of the Federal Land Bank of Baltimore began operations, considerable progress has been made by the Puerto Ricans in the organization and operation of cooperative associations of various types. Hence, there is reason to believe that the Puerto Rican borrowers are at this time fully prepared to assume the cooperative responsibilities necessary to the organization and operation of national farm loan associations.

Moreover, much valuable experience has been gained over the years by the appraisal force and credit men. From the beginning of operations to September 30, 1948, the branch has closed 6,655 loans for $26,115,200, of which 2,833 for $9,265,117 were outstanding on the later date. The loss experience on these loans compares favorably with the loss experience in many sections of the United States. Accordingly, it is believed that lending operations on the island are sufficiently seasoned to warrant the association type of operation.

The achievement of complete farmer ownership of the land bank system has emphasized the desirability of having the system operate upon a uniform cooperative basis, with financially strong active associations as the foundation of the system. No direct loans are presently being made in the United States, and the few remaining direct loan borrowers are being encouraged to join the local associations which are available in all principally agricultural areas of the United States. The next logical step is to make it possible for the large block of direct borrowers in Puerto Rico to join an association and to establish the association plan of operation in Puerto Rico, so that the Federal Land Bank of Baltimore will stand on a cooperative base throughout its entire district, as is the case with all other banks.

The establishment of associations in Puerto Rico will have other important cooperative advantages. First, it will enable the Puerto Rican borrowers to participate directly in the cooperative system, by assuming responsibility and authority in the management and operation of their own local cooperative organizations. Organized in associations, they also will have the same participation accorded associations in the United States in the selection of directors of the second farm credit district. At present, they have no vote in the selection of such directors. Second, the organization of associations will permit the local assumption of the limited mutual liability on loans which is basic in the cooperative plan of the Federal land bank system, and will make it possible for the Puerto Rican borrowers to share collectively in a program to build reserves locally to meet the liability thus assumed. The cooperative functioning of national farm loan associations has been strengthened generally throughout the system by providing greater local authority and responsibility in connection with the making and servicing of loans and by building and maintaining adequate local reserves to meet

anticipated losses arising under the association endorsement liability. One-fourth of the stock of the Federal Land Bank of Baltimore presently is held by direct loan borrowers in Puerto Rico. All earnings on the Puerto Rican loans go to the Federal land bank, reserves on such loans are held by the bank, and all losses on such loans are absorbed by the bank. It is desirable that national farm loan associations be organized so that savings, when paid as dividends, may be used to build and maintain adequate local reserves, as is the case with national farm loan associations in the United States.

While no loans are presently being made in Alaska, the authority for loans there has been on the same basis as for loans in Puerto Rico. Accordingly, Alaska has been included in this bill, so that the basic authority for loans there will continue to be consistent with the authority for loans in Puerto Rico.

Section 2: This section of the bill would amend paragraph "Seventh" of section 12 of the Federal Farm Loan Act (12 U. S. C. 771, "Seventh") by removing the limit of $50,000 on loans to any one borrower. The requirement would be continued that loans in amounts above $25,000 must have the approval of the Land Bank Commissioner. There would be no change in the requirement that preference be given to applications of $10,000 and under, or in the limitation in paragraph "Fifth" of section 12 (12 U. S. C. 771, "Fifth") that no loan shall exceed 65 percent of the normal value of the farm mortgaged, such value to be ascertained by appraisal. Moreover, removal of the statutory limitation of $50,000 would not prevent the banks, with the approval of the Farm Credit Administration, from establishing appropriate limits for their particular districts or for particular areas within the territory in which they have authority to lend.

For some time the directors and officers of Federal land banks generally have favored removal of the present maximum limit on loans so as to broaden the service of the system. The land bank system during the 32 years it has been in operation has emphasized service to farmers operating family-type farms and has made loans which have enabled thousands of farmers to acquire and improve family-type farms. Preference has been given to loans to the smaller and average-size operators, who are farmers requiring credit of $10,000 or less. This fact is evidenced by data on the average size of land bank loans. While the average size varies among the districts due to differences in the type of farming and the size of farm units, for the system as a whole the average size of Federal land bank loans was $4,573, during the fiscal year ending June 30, 1948.

Although the land bank system has given preference to loans of $10,000 and under, many farmers requiring credit up to $50,000 have been served by the banks. In addition to these farmers there are others that desire loans from the Federal land banks but cannot be served because their needs for farm mortgage credit exceed $50,000. Their farms generally would be classified as large family units since they are owned and operated by a family but because of the type of farming and extent of the operations they involve a relatively large investment in real estate. Such farmers could be served by the land banks and receive the benefit of land bank loans without impairing in any way the service to farmers on the smaller units. These larger units are primarily livestock ranches in the Western States, along with a few specialty crop and fruit enterprises, and a few larger livestock and diversified family farms largely in the Corn Belt States. By removing the maximum of $50,000 the banks could broaden the service to farmers generally; and since the provisions of the bill do not change the existing legal requirement that all loans above $25,000 must have the approval of the Land Bank Commissioner, no such loan could be made unless the association, the land bank, and the Commissioner, after reviewing the size of the operation and the hazards involved, concluded that it would be wise for the association and the bank to assume the risk.

Section 3: For a 5-year period ending July 10, 1938, Congress provided that borrowers from the Federal land banks need not pay currently the principal installments on their loans if they were not otherwise in default (12 U. S. C. 771 "Twelfth"). To provide the banks with funds to use in their operations in place of amounts extended or deferred, the Emergency Farm Mortgage Act, approved May 12, 1933, provided for subscriptions to their paid-in surplus by the Secretary of the Treasury (12 U. S. C. 781 "Tenth"). For this purpose, a total of $189,000,000 was appropriated in 1933 and subsequent years, all of which has been repaid by the banks and now constitutes a revolving fund in the Treasury available for future subscriptions to paid-in surplus. Such subscriptions can be made only on account of extensions made by the banks to borrowers and with the approval of the Land Bank Commissioner.

The Federal Farm Loan Act contemplates a cooperative farm mortgage system to be owned and operated by the farmers who use the services of the system,

subject to Federal supervision. This objective has been kept constantly in mind and the Federal land banks are now completely owned by farmers. The Federal land bank system as a farmers' cooperative credit system aims to operate on its own resources even under periods of agricultural distress and its interest rate and other operating policies are designed to make this possible insofar as conditions can be foreseen and met by prudent business practices.

The Federal land banks and national farm loan associations have greatly strengthened their net worth positions and it is considered they have sufficient resources to carry their worthy members and prospective members through most periods of distress. In view of this circumstance and in keeping with the aforementioned objectives, section 3 of the bill would repeal the law creating the paid-in surplus revolving fund and the authortiy for its use for subscription to the paid-in surplus of the 12 banks and would return the entire amount appropriated therefor ($189,000,000) to the surplus fund of the Treasury.

Section 4: The changes made by this section will simplify internal bank operations and it is hoped will effect savings in operating costs of the banks.

The second sentence of the first paragraph of section 22 of the Federal Farm Loan Act (12 U. S. C. 891) now requires that when a Federal land bank notifies a farm loan registrar of the receipt of payments on a mortgage pledged as bond collateral: "Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit."

In practice this has meant that, independently of records maintained by the bank, the registrar has had to keep a record of payments on each individual mortgage loan. The object of this requirement may have been twofold: (1) To assure that borrowers receive credit for their payments; and (2) to provide the registrar with a record of the amount by which collateral deposited with him is reduced, so that he may know that the total thereof is at least equal to the amount of bonds outstanding as required by law. However, the first of these objects may be served from a record of payments kept by the bank, and for the second the registrar need only know the total unpaid balance of all mortgages pledged as collateral. Accordingly, to eliminate the requirement that the registrar keep a record of payments on each individual mortgage, and yet have a record of the total amount of collateral on hand, it is proposed to substitute the following for the sentence quoted above: "Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration."

If this change is authorized, there ordinarily would be no occasion for interest payments on pledged mortgages to be reported to the registrar, as is now required by the first sentence of section 22 of the Federal Farm Loan Act (12 U. S. C. 891), so that requirement would be eliminated also.

The proposed bill would also amend the third sentence of the first paragraph of section 22 of the Federal Farm Loan Act (12 U. S. C. 891), in two respects. The first change would be to eliminate the requirement that the registrar shall cancel mortgages which are paid in full, and place such duty of cancellation on the Federal land bank. For the registrar, who is not named in the mortgage, to inscribe it "canceled" over his signature, has at times required explanation. In any event, it is deemed more appropriate that the cancellation should be by the Federal land bank which is named in the mortgage as mortgagee.

The second change in this sentence would be to relieve the Federal land bank of the duty to pay the fee or charge of the local recording office for satisfying and discharging the lien of record when a mortgage is paid in full without restricting its corporate power to do so in the public interest or to meet provisions of State laws, and to require only that the bank furnish a release or satisfaction to the borrower for use in satisfying and discharging the lien of record.

The Department recommends early consideration and enactment of the provisions included in the enclosed draft.

The Bureau of the Budget advises that there is no objection to the presentation of this proposal for the consideration of the Congress.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

Mr. POAGE. Do you care to read that or comment on it?

Mr. ISLEIB. It might save time for the committee if I commented briefly on the several provisions of the bill.

Mr. POAGE. If you will do so, that will be all right.

Mr. ISLEIB. That will be fine, and then I will be happy to answer any questions.

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Section 1 would authorize national farm loan associations to be chartered in Puerto Rico. The act as originally passed did not provide for farm loan associations there. Apparently it was the feeling of Congress at that time that the people in Puerto Rico had not had enough experience with cooperative undertakings to enable them to function in such cooperative fashion as would be necessary if Federal land bank loans were made through loan associations there to the extent provided for in the continental United States.

However, the debate at that time indicated that the Congress had in mind that upon such time as the operations, agriculturally speaking, in Puerto Rico had reached a point where they could be counted upon to successfully operate national farm loan associations that it would seem appropriate for them to be given an opportunity to do so.

Mr. ANDRESEN. May I ask a question? Does any Federal loan agency relating to agriculture function in Puerto Rico at the present time?

Mr. ISLEIB. Well, the Federal Land Bank of Baltimore operates through a branch there, and Federal land bank loans are made in Puerto Rico, but the borrowers from the bank there do not become members of a national farm loan association. Instead they buy stock directly in the Federal Land Bank of Baltimore. As a matter of fact there are almost 3,000 Federal land bank loans in Puerto Rico. Those farmers are not members of national farm loan associations and really they have no voice in the management of the Federal land bank, since the machinery for such a voice is provided only through national farm loan associations.

Also, while those members of the system are deprived of some benefits from their membership in the land bank system because of that circumstance, they also do not have an opportunity to assume some of the responsibilities of the cooperative system. For instance, in the Federal land bank system, the members of the local national farm loan association, which is a separate corporation, of course, endorse the loans and are responsible for the payment of the loans, and they have an opportunity to accumulate reserves in their national farm loan associations which provide a financial basis for their assuming that responsibility. Of course, in Puerto Rico where there are no associations, there is no machinery by which the earnings from those loans can in any way be set aside in any reserves in the island which would let those people be responsible.

Mr. POAGE. Whereas under the set-up in the continental United States, Alaska, and Hawaii, the local farm loan association, the members thereof can draw dividends if their bank is in good shape, and if their local association is in good shape, but the borrowers in Puerto Rico have no such incentive to keep their local affairs in order, because all they have to do to be entitled to a dividend is for the bank at Baltimore to be a success, and they then regardless of whether the loans in Puerto Rico are good or bad, they are entitled to draw dividends as the result of the favorable operation of the bank in the State of Maryland, and the other territory that it covers.

Mr. ISLEIB. That is correct.

Mr. ANDRESEN. Does the Farmers Home Administration make loans down there?

Mr. ISLEIB. I am sorry; I cannot answer that.

Mr. POAGE. Mr. Lasseter says they do.

Mr. LASSETER. We do. We make a good many. There is a large program down there.

Mr. ANDRESEN. Can you give us some idea as to the success of the Baltimore bank in being able to make loans and to collect loans? Have there been many defaults or anything of that kind?

Mr. ISLEIB. I have some information on that. As a matter of fact, the experience of the Baltimore bank in Puerto Rico was better during the early period when the land bank did experience some adverse situations, in Puerto Rico than it was in Pennsylvania. It was not as good as it was in the other States of the Baltimore district.

With respect to Land Bank Commissioner loans, on the other hand, which usually were made on more hazardous situations and circumstances, the Land Bank Commissioner loans in Puerto Rico reflect a better experience than any of the States in the second farm credit district. As a matter of fact, on Land Bank Commissioner loans, there was no loss whatsoever; instead, with respect to the several properties that were acquired and sold, there was a slight profit.

Mr. ANDRESEN. Those are on the Commissioner loans.

Mr. ISLEIB. Yes.

Mr. ANDRESEN. How about on the land bank loans?

Mr. ISLEIB. On the land bank loans the record is this: In the loans closed from 1917 through 1932, that was the early period of the operations of the Federal land banks, the loss experience of the Federal Land Bank of Baltimore for all of that period and for all of its loans was 5 percent, and in Pennsylvania that was 8.3 percent, in Delaware 3.3 percent, in Maryland 1.9 percent, in Virginia 3.1, in West Virginia 3.1, and the total on the continental part of their district was 4.5. In Puerto Rico it was 7.7 percent.

For the loans closed since 1933, both in the States and in Puerto Rico, they have had no loss in Pennsylvania. It is 1.6 in Delaware, 0.2 of 1 percent in Maryland, and nothing in Virginia, nothing in West Virginia, a total of 1.4 percent in the States. In Puerto Rico there was a loss of $4,800, or 0.1 of 1 percent for the loans made.

Mr. ANDRESEN. $4,800?

Mr. ISLEIB. Yes, sir. I think that their loss experience in Puerto Rico really compares quite favorably with the experinece in the States.

Mr. ANDRESEN. I wish you would put those figures in your tables in the record, if you would.

Mr. ISLEIB. I will be glad to do so, sir.

(The information is as follows:)

Federal Land Bank of Baltimore, loans closed and loss experience, organization to Dec. 31, 1948

	Pennsylvania	Delaware	Maryland	Virginia	West Virginia	Total States	Puerto Rico	Total District
Loans closed 1917–32:								
Amount closed	$23,745,400	$601,900	$6,483,900	$42,653,800	$11,188,100	$84,673,100	$15,733,100	$100,406,200
Loss	$1,967,600	$20,100	$125,800	$1,334,600	$352,100	$3,800,200	$1,219,300	$5,019,500
Loss as percent of amount closed	8.3	3.3	1.9	3.1	3.1	4.5	7.7	5.0
Loans closed 1933–45:								
Amount closed	$15,622,900	$951,300	$8,123,400	$16,302,300	$3,737,700	$44,737,600	$6,273,500	$51,011,100
Loss	$15,200	$15,300	$19,700	$11,400	$500	$62,100	$4,800	$66,900
Loss as percent of amount closed	0	1.6	0.2	0	0	1.4	0.1	0.1
Loans closed 1945–48 by calendar years:								
1945 (last 6 months)	$518,300	$41,700	$154,400	$276,800	$125,600	$1,116,800	$374,800	$1,491,600
1946	$1,489,300	$90,300	$529,000	$653,600	$425,500	$3,187,700	$1,539,100	$4,726,800
1947	$1,898,800	$87,700	$508,900	$774,800	$430,700	$3,700,900	$1,433,000	$5,133,900
1948	$1,815,400	$125,800	$665,600	$753,800	$366,500	$3,727,100	$1,936,400	$5,663,500
Grand total:								
Loans closed	$45,090,100	$1,898,700	$16,465,200	$61,415,100	$16,274,100	$141,143,200	$27,289,900	$168,433,100
Loss	$1,982,800	$35,400	$145,500	$1,346,000	$352,600	$3,862,300	$1,224,100	$5,086,400
Loss as percent of loans closed	4.4	1.9	0.9	2.2	2.2	2.7	4.5	3.0
Loans closed 1933–45:								
Amount closed	$12,408,700	$730,300	$5,887,200	$11,435,700	$4,611,200	$35,073,100	$3,971,100	$39,044,200
Loss	$296,000	$30,200	$146,300	$195,700	$33,200	$701,400	----------	$701,400
Loss as percent of amount closed	2.4	4.1	2.5	1.7	0.7	2.0	----------	1.8
Loans closed by calendar years:								
1945 (last 6 months)	$112,600	$6,700	$32,400	$53,800	$36,500	$242,000	$245,500	$487,500
1946	$239,000	$12,700	$96,400	$119,100	$98,500	$565,700	$392,400	$958,100
1947	$240,500	$16,600	$61,400	$74,400	$78,000	$470,900	$252,200	$723,100
Grand total:								
Loans closed	$13,000,800	$766,300	$6,077,400	$11,683,000	$4,824,200	$36,351,700	$4,861,200	$41,212,900
Loss	$296,000	$30,200	$146,300	$195,700	$33,200	$701,400	----------	$701,400
Loss as percent of loans closed	2.3	3.9	2.4	1.7	0.7	1.9	----------	1.7

Mr. ANDRESEN. They have had some land laws passed in Puerto Rico relating to land ownership, and things of that kind. I recollect that the State of North Dakota has a law that prohibits deficiency judgments on foreclosed mortgages, and as a result, the Federal land bank has refused to loan any money in the State of North Dakota.

Are there any laws in Puerto Rico that are comparable that might make it undesirable for the Federal Government to go in and extend the Federal land bank system into the islands?

Mr. ISLEIB. No; and I should like to explain, Mr. Congressman, that the law in North Dakota which precludes the Federal land bank operating there is a pretty strict antideficiency law which amounts in effect to the fact that a borrower cannot be held personally liable for his indebtedness, that the creditor can only rely upon the collateral.

Mr. POAGE. What it does up there is to give you no moral background whatever, and you have to make the loan entirely upon the collateral, and cannot make any kind of a loan on moral risk in the State of North Dakota.

Mr. ISLEIB. The entire concept of the Federal land bank system being cooperative is predicated upon personal responsibility. Members endorse one another's loans, and they take the losses. In Puerto Rico there are no such laws. I understand they did have some kind of a law that was designed to limit the amount of acreage that a particular landowner could own.

I believe the idea there was to break up some of the larger plantations. But I do not know of any legislation, Mr. Congressman, that stands in the way of Federal land bank loans there.

Mr. POAGE. Might it not be said that if such legislation was passed in Puerto Rico, that the reaction of the land bank would be the same as it was in North Dakota, and there would be nothing in this bill to prevent you from pulling out and refusing to make loans?

Mr. ISLEIB. Section 2 would remove the limit of $50,000 on any single Federal land bank loan. The requirements would continue in the act that any loan in excess of $25,000 must have the approval of the Land Bank Commissioner, and also the act provides that, and there would be no change contemplated in that, that preference must be given by the Federal land banks to applications of $10,000 or less.

I might add on that section that it is primarily important in the ranch country. There are many, many ranchers and there are many areas of the United States where the farmers, the ranchers, are in effect deprived of the services of the Federal land bank because a loan of $50,000 is not adequate for their operation. For instance Mr. Chairman, there are some counties out in the western part of Texas where as much as a third or two-thirds of the ranchers could not use Federal land bank loans because in their ranching operations, although they are the family-type operation, it frequently requires credit up to sixty, seventy-five, eighty thousand dollars.

Mr. POAGE. Do you not find those to be the most profitable loans you make?

Mr. ISLEIB. Yes; they help a lot of smaller loans pay their way.

Section 3 would return to the general funds of the Treasury the $189,000,000 revolving fund which has previously been paid back by the Federal land banks and is now held in a revolving fund, and would abolish the proviso for reimbursement from such a fund of the Federal land banks in the future. I might say here that there is similar provision in the 1950 appropriation act for the Department of Agriculture.

Mr. POAGE. As I understand it, that is the surplus that has been accumulated by the use of the Government capital. The $125,000,000 of Government capital is still there.

Mr. ISLEIB. There were two revolving funds, Mr. Chairman; one was for capital stock, $125,000,000, which is not in this bill.

Mr. POAGE. That is still left as a revolving fund, as I understand it.

Mr. ISLEIB. Yes. This is the paid in surplus revolving fund which came about through legislation enacted in 1933, I believe, which provided that as the Federal land banks found it necessary to make extensions to particular borrowers, that this money would be paid into their surplus account to enable them to carry those loans. We believe that it has served its purpose, and that the Federal land banks have sufficient resources of their own to carry their borrowers through a period of distress, and that such fund would not be necessary in the future.

Mr. POAGE. Rather than taking anything away from the General Treasury, this bill takes money about which there might have been some dispute in the eyes of some people, some would claim that it belonged to the banks, but rather than taking anything from the General Treasury and giving it to the banks, this takes the money, if there is any dispute about it, that it might be questionable, and gives it to the United States Government, or to the taxpayers as a whole.

Mr. ISLEIB. It cuts all strings off it and puts it in the general fund of the Treasury, and in effect repeals those provisions that would make such fund effective in the future.

Mr. POAGE. Now, as I understand it, the money is simply tied up and nobody else can use it.

Mr. ISLEIB. It is held there in the Treasury.

I might add that there is no controversy whatever about this section of the bill anywhere that I know of.

Mr. POAGE. I do not know of any, either.

Mr. ISLEIB. Section 4 is purely a technical part of it, the first part of it. We presently have a requirement in the Farm Loan Act, which makes it necessary for the registrar who holds the notes and mortgages which form the collateral behind Federal land bank bonds to handle certain accounting transactions that also have been handled in the Federal land banks, so that there is duplictaion. This language would make it possible to eliminate that duplication without in any way affecting the basic procedure for having the registrar be the custodian for bond collateral.

There is a further provision there that would make it permissive to the Federal land banks whether or not they place releases of mortgages of record. The present Farm Loan Act gives the land bank no option. They must place the release of record and that has been a little awkward upon occasion because frequently the members, when they pay off the loans, prefer not to have the release placed of record at that time. They would prefer to themselves place it of record as and when they wish to do so. In some jurisdictions, some States require by State law that all creditors place such documents of record. This amendment would simply make it possible for the Federal land banks to conform to local usage. Some of them would want to continue placing all releases of records; they all would where required by state laws.

Mr. POAGE. Where required by State law. This does not in any wise interfere with the State law.

Mr. ISLEIB. That is right.

Mr. POAGE. You are still required to do it if the State law requires it?

Mr. ISLEIB. Yes.

Mr. Chairman, I believe that discusses the high lights of the provisions of the bill, unless Mr. Colvin has something he would care to add.

Mr. O'SULLIVAN. That option to put the release of the mortgage on record or not, at the will of the party paying the mortgage, is that brought about by the fact that some people might want to avoid full taxation, by having a mortgage unsatisfied on record, and not pay the full taxes? Does it cover up for somebody who does not want to pay their other creditors?

Mr. ISLEIB. I do not know exactly what prompts a borrower to take that attitude. When I inquired about it, about the best information that I was able to get about it is that sometimes there are circumstances, domestic circumstances of one kind or another, that enter into the situation. But I an sorry, Mr. Congressman, I cannot answer more fully than that.

Mr. O'SULLIVAN. Could you ascertain whether it was just a sort of an aid to cover something up, or what? Do you know?

Mr. ISLEIB. I do not think so.

Mr. POAGE. May I suggest in that connection, I cannot see that it has anything to do with the taxes that a man would owe because as I understand it, this applies only to the placing of the release on record after the mortgage is canceled. The land banks want to place the mortgage on record as long as the mortgage is in existence. They will keep it on record for their own protection until the debt is paid. After their debt is paid the banks are willing for the landowner to do anything he wants.

Mr. O'SULLIVAN. Do they pay any taxes on their mortgages?

Mr. ISLEIB. The Federal land banks; no.

Mr. O'SULLIVAN. It is an entity of government. I did not think so. Would there be any State where you would pay taxes on the net value of your land, less the mortgages?

Mr. ISLEIB. I do not know of any.

Mr. O'SULLIVAN. I was just wondering why it was necessary to have Congress pass a law to help somebody cover something up.

Mr. ISLEIB. I do not believe that is the case. I believe that the Federal land banks have thought that they were placed in an unusual position by this particular requirement of the act in many areas. It required them to proceed in a different fashion from the usual custom in the jurisdictions followed by farm mortgage creditors.

Mr. O'SULLIVAN. In other words, if one of these persons had a mortgage and had paid it and I would call up the Federal land bank, I would not be able to get any information as to whether the mortgage was paid or not?

Mr. ISLEIB. Oh, yes.

Mr. O'SULLIVAN. I could?

Mr. ISLEIB. Yes.

Mr. O'SULLIVAN. They make free disclosures of that information?

Mr. ISLEIB. No; not quite that way, because the Federal land banks consider information about particular borrowers, particular members of the system, financial matters, as being confidential, so far as the general public is concerned, that is, unless they are authorized by the borrower.

Mr. O'SULLIVAN. The bill merely permits the Federal land bank to follow out State law, and the will of the person that borrowed the money, and if they do not want the release on record, then it is not put on record.

Mr. ISLEIB. I should say for the information of the committee that several of the Federal land banks have indicated that even if this bill passes, that they expect to continue to prepare the releases and place them of record, just as they have heretofore.

Mr. COTTON. Before you leave that, it still is not quite clear to me why that is necessary.

Mr. O'SULLIVAN. Just to satisfy the will or whim, or the desire of a person borrowing money from a Federal land bank who has paid it off, he determines whether he wants it to show paid on the public records or not.

Mr. COTTON. I do not see the reason for it, the need for it.

Mr. O'SULLIVAN. When you look up the public records you may find whether a man's mortgage, has been paid or not.

Mr. COTTON. I understand that but I do not understand the Government assisting in concealing the fact that the mortgage is paid.

Mr. POAGE. It seems to me that that works an injustice to require this lending agency to follow a practice that is not required of their competitor lending agencies, to wit, the insurance companies, and in those States where the policy of placing all releases of record is followed, the land banks will under this bill still follow that practice; in those States where the insurance companies are not required and do not place the instrument on record, the land bank wants to follow the same practice that their competitors follow, and it seems to me to be a reasonable proposition that they should be allowed to have the same freedom of action that is granted the other lending agencies and it is only on that basis that I think we can justify the procedure. I will agree that I cannot understand why it is done, but I do know that there are people who do not want their releases placed on record, but I cannot say that we should pass legislation simply to accommodate that group but it does seem to me that we should give the land bank the same status that is accorded to the other lending agencies.

Mr. O'SULLIVAN. These other lending agencies you mention are not entities of government, and no entity of government ought to ever do a thing that would enable another to perpetrate a fraud upon someone else, or to show the public records to be different from what they actually are. I think it is primarily the purpose of an entity of government to have a situation appear exactly as it is, and not aid someone who for some reason or other, not the best, certainly, will not want to put their releases on record.

Mr. POAGE. I can explain to you why a man might not want to place it of record. At least I can understand it when you have a lien of record, it is oftentimes easier to transfer that lien than it is to kill that lien and create a new one. Oftentimes you may have had homestead rights intervene. You will have in our State in almost three-

fourths of the cases, probably, and it sometimes greatly simplifies your refinancing or sales.

Mr. COTTON. You mean it helps the man to defraud his wife?

Mr. POAGE. I do not think so. Under our law you cannot make a loan on homesteads except for purchase money, for construction, or for taxes. There are only three purposes for which you can create a lien on the homestead. It is not a matter of defrauding the wife. You cannot put a valid lien on a homestead even with the wife's joinder.

Mr. COTTON. There is a State law that prevents that?

Mr. POAGE. The State constitution.

Mr. COTTON. This is to circumvent the constitution?

Mr. POAGE. I would say in circumstances it would enable you much more ably to keep that lien in existence or to put a new lien on if this were allowed.

Mr. ALBERT. I do not see how you can do that. I will have to object to the provision. If the loan has been paid off, I do not see how you can transfer an invalid lien.

Mr. POAGE. If the lien ceases to exist, I suppose it better cease for all purposes.

Mr. O'SULLIVAN. They could take an assignment of it; instead of paying off the loan, make an assignment of the mortgage to their wife or somebody, and then that mortgage can be sold to others.

Mr. ISLEIB. At present it is possible, and we have had a few cases, usually, and maybe I should say exclusively at the request of the borrower, where a man may have been in financial trouble and has not been able to make his payments, and some member of his family may be willing to come to his rescue, and take up this loan for him.

Mr. O'SULLIVAN. Take an assignment.

Mr. ISLEIB. We have had a few instances of that kind where the Federal land banks, in order to help the farmer out, and at his request have assigned their mortgage to some friendly creditor. That is under the present act. This would make no change in that whatsoever. But the cases are few and far between, of course.

Mr. COLVIN. So there will be no misunderstanding about the granting of the release of mortgage under this plan, just as they do at the present time, the land bank will issue a formal release on the mortgage. That will be sent to the local association, and in turn given to the borrower, so that on the record of the Federal land bank the mortgage is formally canceled. I thought there might have been some misunderstanding of that.

Mr. POAGE. I think Mr. Albert is correct in that. There has been a quorum call.

Mr. O'SULLIVAN. One further question. When you were discussing the loan bill, I am not sure that I understood correctly, and so that there would not be a blot placed upon the State of North Dakota, one of my neighboring States, I state that I understood Mr. Poage to say someting similar to this, that the Federal land banks in North Dakota do not make loans on the borrower's moral responsibility.

Mr. ISLEIB. The Federal land bank cannot make loans in North Dakota.

Mr. O'SULLIVAN. That is what I wanted to bring out. The Federal land bank never in any State in the Union or any place where

it can operate, has ever made loans solely on one's moral responsibility, and that is not particularly true in North Dakota, but it is true every place else. What they make their loans on is collateral, and on the land, and then if the land will not pay out, they may secure in some States a deficiency judgment against the borrower which they can fall back on to satisfy the mortgage in whole or part.

Mr. ALBERT. They also take a credit statement on the borrower.

Mr. ISLEIB. They fall back on the endorsement.

Mr. O'SULLIVAN. So that it is not correct to say that North Dakota has been singled out as one place where the Federal land bank does not make any loans on one's moral responsibility. That is true, is it not?

Mr. ISLEIB. Well, the Federal Farm Loan Act of course is uniform for the whole United States.

Mr. O'SULLIVAN. They never did make loans on one's face or moral responsibility, did they?

Mr. ISLEIB. But they have to rely on that through the cooperative machinery of the Federal land banks, because by the endorsement of the farmers, through their association, where defaults occur, with resultant losses, the member is responsible for that and if he cannot pay, or cannot be made to pay, then the association is responsible for it.

Mr. O'SULLIVAN. Of course, one of the things that is taken into consideration by anyone who makes loans is the moral responsibility and the face value of the man, independent of his collateral, but the Federal land bank does not have any different rule in North Dakota than they do any place else.

Mr. ISLEIB. No; it is a State law in that State.

Mr. O'SULLIVAN. Which wipes out the right to get a deficiency judgment.

Mr. ISLEIB. Yes.

Mr. O'SULLIVAN. It puts the obligation upon the party making the loan to be sure that he has enuogh collateral, and if he relies upon the collateral, that is all he can pursue.

Mr. ISLEIB. And the Federal Farm Loan Act requires the personal responsibility, so in effect the land bank's hands are tied and cannot make loans there.

Mr. O'SULLIVAN. Because the land bank does not want to in North Dakota under the State law, they do not want to look to the collateral alone and rely exclusively upon the collateral or any endorsement. They do not want to do that. They still want to follow the man personally and make him personally liable by getting the deficiency judgment against him for the difference and not to collect it from the security and other sources alone.

Mr. ALBERT. A parliamentary inquiry: Is it the intention to vote this out before we answer the roll call?

Mr. POAGE. I had hope we might finish the first one.

The committee will stand at ease for a few minutes while the members go answer this rill call. I assume that is all of the questions that anybody wanted to ask on this bill. I understand we have the Lemke and Burdick bills up later.

We will close the hearings on this bill.

(Thereupon at 3 p. m., the committee proceeded to other business.)

BANKS FOR COOPERATIVES

THURSDAY, APRIL 7, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 1 OF THE
COMMITTEE OF AGRICULTURE,
Washington, D. C.

Subcommittee No. 1 met at 10 a. m. to consider H. R. 848, Hon. R. W. Poage (chairman of the subcommittee) presiding.

Mr. POAGE. The committee will come to order.

I would like to say that we have had this bill before the Committee before. We held hearings on it last year. This year we held rather extended conference on the subject, at which time representatives of a number of interested parties were present with the committee. We went into most of the features of the proposed bill, which is but a rewrite of the bill that was before the committee last year at which time complete hearings were held before the full committee.

(The bill is as follows:)

[H. R. 848, 81st Cong., 1st sess.]

A BILL To provide for retirement of the Government capital in the central and regional banks for cooperatives, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 35 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134k), is amended to read as follows:

"(a) Hereafter each regional bank for cooperatives shall have three classes of stock, namely, class A, class B, and class C. The class A stock shall be that now or hereafter issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and such stock shall continue to be nonvoting, to have a par value of $100, and to be preferred in dissolution or liquidation of the banks. Class B stock shall be nonvoting stock of a par value of $100 and may be issued only at par and may be sold or transferred to anyone subject to the approval of the board of directors of the issuing bank. Any cooperative association as defined in section 15 (a) of the Agricultural Marketing Act, as amended (title 12, U. S. C. 1141j), owning class B stock of a par value of not less than $1,000 may purchase class C stock of a par value of $100 and thus become eligible to vote. In liquidation or dissolution class B stock shall be junior to class A, but shall be preferred over class C stock. After all class A stock has been retired, class B stock may be called for retirement at par and shall be called serially so that the oldest outstanding stock at any given time will be first retired. Any holder of class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement. After all class A stock has been retired, dividends of not to exceed 4 per centum per annum may be paid on class B stock if declared by the board of directors and approved by the Governor of the Farm Credit Administration: *Provided,* That the surpluses of the bank, after the payment of such dividends, are greater than 25 per centum of its outstanding capital stock and guaranty funds.

"Class C stock shall have a par value of $1 per share. No dividends shall be paid thereon. Each holder of class C stock eligible to borrow from a bank for cooperatives shall be entitled to one vote. From time to time each regional bank for cooperatives shall obtain information concerning its class C stockholders to

determine whether they continue to be eligible to borrow from the bank and any class C stockholder found by the bank to be ineligible shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank.

"Each cooperative association borrowing from a regional bank for cooperatives shall be required to own at the time the loan is made at least one hundred shares of class C stock of a total par value of $100 and the purchase price of such stock may be retained out of the loan. In addition, class C stock shall be issued at the close of each fiscal year—

"(1) for amounts paid to a regional bank for cooperatives for capital in connection with loans by a borrowing association during that fiscal year as herein provided; and.

"(2) for patronage refunds that have been authorized by the board of directors of the bank and approved by the Governor of the Farm Credit Administration.

"Each borrowing cooperative association shall be required to invest in the class C capital stock of the bank for cooperatives an amount equal to not less than 10 nor more than 25 per centum, as provided from time to time by the Governor of the Farm Credit Administration for all such banks, of the amount of interest paid by the association on its loans; payments for this stock shall be made quarterly or when the regular interest payments of the association are made. Class C stock shall be issued to the association in the amount of the payments at the end of each fiscal year.

"In any case in which a cooperative association applying for a loan is not authorized under the law of the State in which it is organized, to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit the guaranty fund with such amount, if any, as is necessary to provide the association with an interest in the guaranty fund equal to the minimum amount of class C stock of the par value of $100 which the association would otherwise be required to own at the time the loan is made. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of class B stock. To the extent permitted under the laws of a State in which a cooperative association is organized, the rights and status of any cooperative association making payments into the guaranty fund in lieu of either class B or class C stock shall be the same as though they were holders of class B or class C stock, respectively. In the event that it is shown to the satisfaction of the Governor of the Farm Credit Administration that any cooperative association, otherwise eligible to borrow, is prohibited from taking stock in a bank for cooperatives or from making payments into its guaranty funds, such cooperative association may borrow from the bank for cooperatives on meeting such terms and conditions as may be specified by him. Each bank for cooperatives has an enforceable first lien on all stock or guaranty fund investment of cooperative associations in the bank as additional collateral for any indebtedness of any such association to the bank.

"At the end of each fiscal year, the board of directors of each bank for cooperatives shall determine the amount of class A stock that shall be retired at par by that bank, subject to the approval of the Governor of the Farm Credit Administration; but the minimum amount of class A stock that shall be retired shall be equivalent to the amount of class C stock and comparable guaranty funds issued or credited for that year, other than class C stock issued by a regional bank on account of class C stock issued to it by the Central Bank for Cooperatives: *Provided,* That, in any event, not less than $28,500,000 of class A stock shall be retired within five years from the effective date of this Act. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for purchase of stock in the banks in accordance with the applicable statutory provisions.

"(b) The provisions of subsection (a) hereof shall apply in all respects to stock of the Central Bank for Cooperatives, except that class B and class C stock issued by the Central Bank to a borrowing association may be transferred by it only to a regional bank for cooperatives. In order to enable each regional bank for cooperatives to vote for directors in the Central Bank, it may buy class C stock in the Central Bank in the minimum amount of $100. Cooperative associations eligible to borrow from the Central Bank for Cooperatives may buy class B stock or make payments into the guaranty fund in the regional bank in the district in which the headquarters office of the borrowing cooperative is located, or in such other regional bank or banks for cooperatives as the Governor of the Farm Credit Administration may prescribe for the purpose of having any such regional bank

buy an equal amount of class B stock in the Central Bank for Cooperatives; and in any case in which any buyer of class B stock in a regional bank for cooperatives so requests at the time of purchase, the regional bank for cooperatives shall purchase a corresponding amount of class B stock in the Central Bank for Cooperatives if approved by the Governor of the Farm Credit Administration.

"Cooperative associations borrowing from the Central Bank shall be required to own class C stock therein or make payments into its guaranty fund as though they were borrowing of a regional bank for cooperatives; and they shall also be required to furnish capital in the same manner and form as though they were borrowing of a regional bank for cooperatives, and capital so furnished shall be evidenced by stock issued to a regional bank as prescribed by the Governor of the Farm Credit Administration, which regional bank shall then issue class C stock or make guaranty fund credits to the cooperative association furnishing such capital. Patronage refunds declared at the end of a fiscal year by the Central Bank for Cooperatives on account of business done by cooperative associations and by the regional banks for cooperatives with the Central Bank for Cooperatives shall be paid in class C stock which shall be issued to the regional banks for cooperatives as prescribed by the Governor of the Farm Credit Administration, and the regional banks concerned shall issue an amount of its class C stock or make guaranty fund credits on a pro rata basis to the borrowing cooperative associations covering the part of the refunds made by the Central Bank for Cooperatives on account of their business. All provisions of law with respect to class A, class B, and class C stock and guaranty funds relative to the regional banks for cooperatives, including the retirement of such stock and guaranty funds and dividends thereon, and all provisions of law relative to the making of patronage refunds, shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this subsection (b)."

SEC. 2. Section 36 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 11341), is hereby amended to read as follows:

"The central and regional banks for cooperatives shall, at the end of each fiscal year, subject to the approval of the Governor of the Farm Credit Administration, apply their savings after the payment of operating expenses during the fiscal year, first, to making up any losses incurred; second, to the restoring to par value the amount of impairment, if any, of outstanding capital stock and of the guaranty fund, as determined by its board of directors; third, to establishing adequate reserves; fourth, at least 25 per centum of such savings remaining shall be used to create and maintain any surplus accounts which shall be created after the effective date of the Banks for Farmers' Cooperative Act of 1948, until the sum of these new surplus accounts and the old surplus accounts on hand as of that date equal at least 25 per centum of the sum of all outstanding class A, B, and C capital stock and any guaranty funds; fifth, to paying patronage refunds if declared by the board of directors.

"The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to cooperative associations that were borrowers during the fiscal year for which the refunds are declared; patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives; and that part of such refunds that was derived from the business of cooperative associations shall be evidenced by Class C stock issued to such cooperative associations by any such regional bank for cooperatives. All patronage refunds shall be paid in the proportion that the amount of interest paid by a borrower bears to the total interest paid by all borrowers during the fiscal year.

"When the total of new and old surpluses of any regional bank for cooperatives or the Central Bank for Cooperatives exceeds 25 per centum of the unimpaired sum of all its class A, B, and C stock outstanding and guaranty fund, an amount of the new surplus equal to such excess and any reserves deemed unnecessary for reserve purposes may be distributed in class C stock or guaranty fund credits to the associations and regional banks for cooperatives, to which they are hereby required to be allocated on a patronage basis by fiscal years, if such action is authorized by the board of directors of the bank and approved by the Governor of the Farm Credit Administration. In the making of such distributions, the oldest outstanding allocations of new surpluses and reserves shall be distributed first.

"After the retirement of all class A stock at par, class C stock may be retired at par by calling the oldest outstanding class C stock and comparable guaranty fund credits, but class C stock that was issued for a fiscal year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called or an offer has been made for its retirement.

"In the case of liquidation or dissolution of any bank, after the payment, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par; fourth, of all class C stock or guaranty fund credits at par; any surpluses and reserves which were on hand as of the effective date of the Banks for Farmers' Cooperatives Act of 1948 will be paid to the holders of class A, B, and C stock and comparable holders of guaranty fund credits as of the date of liquidation or dissolution in the same proportions as distributions were made as of that date in the retirement of capital stock, and any other remaining surpluses and reserves shall be distributed on an equitable basis to those entities to which they were allocated. If necessary to use any surplus or reserves to pay any liabilities or to retire any capital stock, new surpluses and reserves shall be exhausted first."

SEC. 3. Section 31 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134g), is hereby amended to read as follows:

"The number of directors of the Central Bank for Cooperatives shall be seven. Of this number, two shall be elected by the cooperative associations determined by the bank to be eligible to vote, two shall be elected by the board of directors of the regional banks for cooperatives from among the members of the boards of directors of the twelve farm credit districts, two shall be appointed by the Governor of the Farm Credit Administration, and the Cooperative Bank Commissioner shall be an ex officio member and shall be chairman of the board of directors and its chief executive officer. Of the directors elected or appointed after the effective date of the Banks for Farmers' Cooperatives Act of 1948, one director in each of the three groups shall be elected or appointed for one year and one for two years, and thereafter each director shall be elected or appointed for a term of three years. The terms of the existing directors shall expire upon the appointment and election and qualification of directors chosen in accordance with this section. The board of directors of the Central Bank for Cooperatives shall have the power to adopt bylaws subject to the approval of the Governor of the Farm Credit Administration, and in addition to the duties herein provided such bylaws may prescribe other duties, responsibilities, and authorities of the board of directors. No compensation shall be paid any director as a director of the corporation, but the corporation, subject to the approval of the Governor, may allow directors a reasonable per diem and expenses.

SEC. 4. Section 32 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134h), is hereby repealed.

SEC. 5. Section 37 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134m), is hereby amended by substituting the word "paragraph" for the word "section" in the next to the last sentence thereof and by adding thereto the following new paragraph:

"Consolidated debentures may be issued by the Central Bank for Cooperatives for and on behalf of itself and the regional banks for cooperatives in the manner and form and on terms and conditions approved by the Governor of the Farm Credit Administration. Such debentures shall be made payable at the Central Bank for Cooperatives and may be made payable at any Federal Reserve bank or banks designated in the face of the debentures. They shall be the joint and several obligations of the Central Bank for Cooperatives and of the regional banks for cooperatives, and each of such banks is hereby authorized and directed to take such action as is necessary, to become obligated for such debentures. They may be unsecured or secured by collateral, with power of substitution, specified by the Governor of the Farm Credit Administration lodged with a custodian or custodians approved by the Governor. The total amount of such consolidated debentures which may be issued and outstanding at any time shall not exceed ten times the capital and surplus of the central and regional banks for cooperatives. In order to furnish such consolidated debentures, the Secretary of the Treasury is hereby authorized to prepare suitable debentures in such form and denominations as the Governor of the Farm Credit Administration may prescribe, such debentures when prepared to be held in the Treasury subject to delivery upon order of the Governor of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such consolidated debentures shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the central and regional banks for cooperatives. Such consolidated debentures shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof."

SEC. 6. Section 80 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 638), is hereby amended by adding a new subsection (c) as follows:

"(c) Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of the central or any regional bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, with the approval of, and upon terms and conditions approved by the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank."

SEC. 7. This Act shall be known as the "Banks for Farmers' Cooperatives Act of 1948". That Act shall be applicable to loans made before its effective date only from the date on which they are changed by agreement to conform thereto, otherwise such loans shall be treated as though that Act had not been enacted. Any cooperative association having stock or guaranty fund credits in any bank for cooperatives on the effective date of this Act shall be entitled to have such stock or credits retired as though this Act had not been enacted, and any such association may have such stock, if it is found eligible to own class B or class C stock, converted in whole or in part into class B or class C stock: *Provided*, That any such stock which has not been retired or so converted within ninety days after the effective date of this Act and which is not then required as the basis for an outstanding loan or loans shall then be converted to class C stock by the bank.

SEC. 8. This Act shall take effect sixty days after its enactment.

So far as I know, the only witnesses who were not heard last year and who might desire to be included in the record at this time are the representatives of the General Accounting Office. I understand they are present now.

We will hear from Mr. Smith of the General Accounting Office now.

STATEMENT OF FREDERIC H. SMITH, ASSISTANT DIRECTOR, CORPORATION AUDITS DIVISION, GENERAL ACCOUNTING OFFICE

Mr. SMITH. My name is Frederic H. Smith. I am Assistant Director of the Corporation Audits Division of the General Accounting Office.

I would like to have it rather thoroughly understood before I begin that our Office does not have any position, either as advocate for, or in opposition to, any of the features of this bill. I am here today merely to point out the financial aspects of the operation of the bill, particularly with respect to the disposition of the now-existing surplus in the banks for cooperatives.

This bill, H. R. 848, provides for the establishment of three classes of stock. Class A stock, in which we are primarily interested, is that stock representing the Government's investment in the banks for cooperatives. Under this bill this stock apparently does not have the opportunity to participate in any dividends from the corporation, which is somewhat different than existing legislation.

The retirement of this class A stock which this bill contemplates will be as stated on line 16 on page 5, that class A stock shall be retired at par. We understand those words to mean that the banks will pay back to the Government only the par value of the amount they paid in, without having added to that payment any of the surplus that has accumulated from the date of payment.

On June 30, 1948, the whole surplus, including the statutory reserve and the reserve for contingencies established by the banks aggregated forty-three million four hundred thousand-and-some-odd dollars. At that time the Government had an investment in the banks of $178,-

500,000, and the cooperative borrower associations had an investment of about $1,800,000, or approximately 95 percent by the Government and 5 percent investment by the cooperative associations.

This ratio of investment by the Government and the cooperative associations has been approximately in that same ratio since the banks were organized. In fact, I believe this ratio at June 30, 1948, was a little bit higher than it had been previously. All of this $43,000,000 surplus that we are talking about was acquired through utilization of funds furnished by the United States Government.

There has never been any repayment to the Government of any of the earnings by the banks. Although the law states that up to 7 percent dividends can be paid annually, there never have been any dividends paid. At June 30, 1948, it was apparent that this surplus was earned entirely by the investment of the funds of the Government.

I would like to point out that if this bill becomes law as written, that $43,000,000 of surplus will be retained by the banks for the benefit of the private stockholders or the borrowers, the borrowing cooperatives. That, of course, was the situation that existed when the land banks became privately owned, and whether or not that condition should obtain with respect, to the banks for cooperatives is a matter for Congress to decide as a matter of policy.

I think that explains what I had to say. If there are any questions about this matter, I would be glad to give you any further information.

Mr. POAGE. You made the statement that it was obvious that all of this surplus was made on the investment of Federal money. It seems to me that that is about substantially true, but actually at all times there has been some investment of capital on the part of the borrowers, has there not?

Mr. SMITH. There has been a small amount of investment by the borrowers. As I say, it has always been 5 percent or less. An analysis of the financial statements of the banks will show that at practically all times they had rather substantial investments of their funds in Government securities. A great part of the surplus accretion came through the interest and the profits gained from the sale of Treasury bonds, Federal farm mortgage bonds, and intermediate credit bank bonds, all Government institutions.

I could modify my statement to say that a very great percentage of this surplus, at least 95 percent of it, was earned by the utilization of Government funds.

Mr. POAGE. If there are no questions, that is all we want to ask you, Mr. Smith. We appreciate the fact that you came up here and tendered the views of the General Accounting Office.

Are there other agencies here that would like to be heard? I would like to suggest that if there is any agency, public or private, represented here which would like to be heard, that you should have an opportunity.

Mr. Farrington is here representing the Farm Credit Administration.

Did you care to express any views on this, Mr. Farrington?

Mr. FARRINGTON. I am here primarily, Mr. Chairman, to furnish the committee with information if they want it. I may say that last year the Governor testified in favor of this legislation. We are strongly in favor of it. If I testified it would be substantially the same as the Governor testified last year.

Mr. POAGE. Then I take it that, like most of the others who have discussed this matter with the committee, you adopt in substance the testimony of last year.

Mr. FARRINGTON. That is correct, sir.

Mr. POAGE. I think that unless there is objection, I am going to consider the testimony taken last year as all being before the committee at the moment. We have the actual printed record of that hearing with us at this time.

Mr. Davis, did you have anything you wanted to say?

Mr. DAVIS. Mr. Chairman, as you know, this bill (H. R. 848) has been sponsored by five farm organizations—the Grange, Farm Bureau, Cooperative Milk Producers Federation, National Federation of Grain Cooperatives, and the National Council of Farmer Cooperatives, all of which are represented here today. Since the present print of the bill was introduced these five organizations for which I am now speaking, have concluded that on page 12, line 17, there should be one change. I have given the counsel a copy of that. It now reads:

> Consolidated debentures may be issued by the Central Bank for Cooperatives for and on behalf of its regional banks for cooperatives in the manner and form and on terms and conditions approved by the Governor of the Farm Credit Administration.

Consolidated debentures may be issued by the Central Bank for Cooperatives for and on behalf of its regional banks for cooperatives in the manner and form and on terms and conditions approved by the Governor of the Farm Credit Administration.

In the case of the land banks and the intermediate credit banks, both of which issued consolidated debentures, there is also required the approval of the regional banks. We have proposed that the language of H. R. 848 be made consistent with that. That could be done, we think, by beginning that paragraph with this language: "When the Central Bank for Cooperatives and the regional banks for Cooperatives shall by resolution consent to the same," consolidated debentures and so forth as begins on line 17 page 12 of the bill. We submit that as a change for the committee to consider. With this one revision the five sponsoring organizations strongly urge the passage of this bill.

Mr. POAGE. I understand that is the wording that is in the land bank bill.

Mr. DAVIS. Yes; that is the wording in the land bank bill except where you substitute other names.

Mr. POAGE. The Bank for Cooperatives.

Mr. DAVIS. Yes; that is right.

Mr. HOPE. Mr. Chairman, I would like to ask Mr. Farrington if he has given consideration to this amendment and whether he has any comments to make.

Mr. POAGE. Mr. Farrington?

Mr. FARRINGTON. Mr. Chairman, we are familiar with the proposed amendment and we do favor it. The purpose of the amendment is to make certain that all banks will be consulted before any consolidated debentures are issued. It applies to this bill the same principle which is used with respect to consolidated debentures of the Federal intermediate credit banks and consolidated farm loan bonds issued by the Federal land banks.

Mr. POAGE. I think it is a desirable provision. Do you agree?

Mr. FARRINGTON. Yes, sir; we do.

Mr. POAGE. Are they any other views to be expressed?

If no one else wants to present any views, the hearing will be closed and the committee will at this time take the matter up in executive session.

(Whereupon, at 2:30 o'clock p. m., the committee went into executive session.)

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81ST CONGRESS
1ST SESSION

S. 1750

IN THE SENATE OF THE UNITED STATES

MAY 2 (legislative day, APRIL 11), 1949

Mr. THOMAS of Oklahoma introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended

by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm loan associations, and the interest rate applicable to such loans shall be as provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm loan association and any national farm loan association after it has become organized may permit any direct loan borrower through a branch bank to join the association. As to any direct loan borrower through a branch bank who participates in the organization of a national farm loan association or joins a national farm loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue

a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The last sentence of the first paragraph of section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is further amended by striking the words "by such branch bank" from the proviso at the end thereof.

(c) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 723 (a)), is further amended by striking the words "in the continental United States."

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771), is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the

Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and trans-

mit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

81ST CONGRESS
1ST SESSION

S. 1750

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

By Mr. THOMAS of Oklahoma

MAY 2 (legislative day, APRIL 11), 1949
Read twice and referred to the Committee on Agriculture and Forestry

81st Congress, 1st Session } HOUSE OF REPRESENTATIVES { Report No. 694

FEDERAL LAND BANKS

May 27, 1949.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Cooley, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H. R. 3699]

The Committee on Agriculture, to whom was referred the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 6, after the words "such loans shall be", insert the word "as".

STATEMENT

This bill makes several amendments to the Federal Farm Loan Act, all of which are designed to improve and make more effective operation of the Federal land banks as a cooperative banking system to aid farmers. The provisions of the bill are explained in the section-by-section analysis.

SECTION 1

This section authorizes the organization and operation of national farm-loan associations in Puerto Rico and Alaska. These are the associations through which Federal land bank loans are made in the States. Heretofore land bank loans in Puerto Rico have been made direct through the Baltimore bank. Legislative history of land bank

legislation indicates that as early as 1921 it was anticipated that farm-loan associations would be chartered in Puerto Rico and Alaska when experience warranted.

The experience of the Baltimore Federal Land Bank in making loans to Puerto Rican farmers has been very good and there appears to be no reason why farmers in the Territories should not now be given the privilege of organizing their own farm loan association and doing business with the land banks in the normal manner.

While no land bank loans are being made at present in Alaska, that Territory has always been on the same legal basis as Puerto Rico in regard to farm loan legislation, and should be included here in order to keep that basis consistent.

SECTION 2

This section removes the limitation of $50,000 on loans to any one borrower. It does not change the requirement that loans in excess of $25,000 must be approved by the Commissioner nor that the land banks are to give preference to loans of less than $10,000. It will permit the banks to make loans on large ranch and range properties—which have been among the best type of loans—but which they have heretofore been able to handle only to a limited extent.

SECTION 3

This section returns to the Treasury of the United States $189,000,000 which was appropriated to the Federal land banks in the 5 years ending July 10, 1938, in order to establish a surplus reserve to carry the system during the 5 years when there was a moratorium on payment of principal on land bank loans.

The system is now completely owned by farmer-borrowers, is in a sound financial position, has repaid the fund in full, and says that it no longer needs the money.

SECTION 4

This section simplifies the bookkeeping of the land banks by changing the requirement that the registrar record each payment on the mortgage entitled to credit, to a requirement more in keeping with the usual banking practice.

The section also lifts the requirement that the banks must discharge the lien of record when a mortgage is paid in full.

DEPARTMENT RECOMMENDATION

The Secretary of Agriculture has recommended in detail adoption of a bill such as this legislation, making his recommendation in an executive communication dated April 18, 1949. The Secretary's letter is printed herewith and made a part of this report:

April 18, 1949.

The Speaker,
House of Representatives.

Dear Mr. Speaker: There is transmitted herewith a proposed bill entitled "A bill to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm loan associations in Puerto Rico; to modify the limitations

on Federal land bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes."

The purposes of the amendments to the Federal Farm Loan Act which would be made by this bill are to improve the functioning of the Federal land banks as a cooperative system and to simplify and improve internal operations of the banks. The bill also repeals the authority for subscriptions to paid-in surplus of the Federal land banks and causes the entire amount appropriated therefor ($189,000,000) to be transferred from a revolving fund to the surplus fund of the Treasury. A more detailed explanation of each section of the bill follows.

Section 1: Under existing law, only direct loans through a branch bank are being made in Puerto Rico. There is no legal authority for organizing or chartering national farm loan associations on the island. The congressional debates on the act of February 27, 1921 (41 Stat. 1148), which extended the Federal Farm Loan Act to Puerto Rico, indicate that provision was made for only direct loans for two reasons: (*a*) The probable difficulty of establishing associations in Puerto Rico at that time, and (*b*) the desire to move slowly and gain experience with direct loans in the island, which were originally authorized subject to three provisions not applicable to loans in the United States: (1) A maximum amount of $5,000; (2) a maximum term of 20 years; and (3) an interest rate one-half of 1 percent higher than the rate in the United States on loans through associations. The debates further indicate, however, that a number of the Congressmen who voted for the measure hoped that eventually the act would extend to Puerto Rico under substantially the same conditions which are applicable to farmers in the United States.

The act of February 27, 1921, has since been amended twice so that the maximum amount of loans to any one farmer is now the same in Puerto Rico as in the United States. Section 1 of this bill would make it possible to organize national farm loan associations in the island, make the provisions governing interest rates on loans through national farm loan associations in the United States applicable to loans through such associations in Puerto Rico, and accord to each direct loan borrower on the island who joins a national farm loan association an interest reduction of one-half of 1 percent beginning with the next regular installment date following the endorsement of his loan. Thus another step would be taken to extend to Puerto Rican borrowers the same statutory provisions which are applicable to borrowers in the United States.

In the years intervening since 1923, when the branch bank of the Federal Land Bank of Baltimore began operations, considerable progress has been made by the Puerto Ricans in the organization and operation of cooperative associations of various types. Hence, there is reason to believe that the Puerto Rican borrowers are at this time fully prepared to assume the cooperative responsibilities necessary to the organization and operation of national farm loan associations.

Moreover, much valuable experience has been gained over the years by the appraisal force and credit men. From the beginning of operations to September 30, 1948, the branch has closed 6,655 loans for $26,115,200, of which 2,833 for $9,265,117 were outstanding on the later date. The loss experience on these loans compares favorably with the loss experience in many sections of the United States. Accordingly, it is believed that lending operations on the island are sufficiently seasoned to warrant the association type of operation.

The achievement of complete farmer ownership of the land bank system has emphasized the desirability of having the system operate upon a uniform cooperative basis, with financially strong active associations as the foundation of the system. No direct loans are presently being made in the United States, and the few remaining direct loan borrowers are being encouraged to join the local associations which are available in all principally agricultural areas of the United States. The next logical step is to make it possible for the large block of direct borrowers in Puerto Rico to join an association and to establish the association plan of operation in Puerto Rico, so that the Federal Land Bank of Baltimore will stand on a cooperative base throughout its entire district, as is the case with all other banks.

The establishment of associations in Puerto Rico will have other important cooperative advantages. First, it will enable the Puerto Rican borrowers to participate directly in the cooperative system, by assuming responsibility and authority in the management and operation of their own local cooperative organizations. Organized in associations, they also will have the same participation

accorded associations in the United States in the selection of directors of the second farm credit district. At present, they have no vote in the selection of such directors. Second, the organization of associations will permit the local assumption of the limited mutual liability on loans which is basic in the cooperative plan of the Federal Land Bank System, and will make it possible for the Puerto Rican borrowers to share collectively in a program to build reserves locally to meet the liability thus assumed. The cooperative functioning of national farm loan associations has been strengthened generally throughout the system by providing greater local authority and responsibility in connection with the making and servicing of loans and by building and maintaining adequate local reserves to meet anticipated losses arising under the association endorsement liability. One-fourth of the stock of the Federal Land Bank of Baltimore presently is held by direct loan borrowers in Puerto Rico. All earnings on the Puerto Rican loans go to the Federal Land Bank, reserves on such loans are held by the bank, and all losses on such loans are absorbed by the bank. It is desirable that national farm loan associations be organized so that savings, when paid as dividends, may be used to build and maintain adequate local reserves, as is the case with national farm loan associations in the United States.

While no loans are presently being made in Alaska, the authority for loans there has been on the same basis as for loans in Puerto Rico. Accordingly, Alaska has been included in this bill, so that the basic authority for loans there will continue to be consistent with the authority for loans in Puerto Rico.

Section 2: This section of the bill would amend paragraph "Seventh" of section 12 of the Federal Farm Loan Act (12 U. S. C. 771, "Seventh") by removing the limit of $50,000 on loans to any one borrower. The requirement would be continued that loans in amounts above $25,000 must have the approval of the Land Bank Commissioner. There would be no change in the requirement that preference be given to applications of $10,000 and under, or in the limitation in paragraph "Fifth" of section 12 (12 U. S. C. 771, "Fifth") that no loan shall exceed 65 percent of the normal value of the farm mortgaged, such value to be ascertained by appraisal. Moreover, removal of the statutory limitation of $50,000 would not prevent the banks, with the approval of the Farm Credit Administration, from establishing appropriate limits for their particular districts or for particular areas within the territory in which they have authority to lend.

For some time the directors and officers of Federal land banks generally have favored removal of the present maximum limit on loans so as to broaden the service of the System. The Land Bank System during the 32 years it has been in operation has emphasized service to farmers operating family-type farms and has made loans which have enabled thousands of farmers to acquire and improve family-type farms. Preference has been given to loans to the smaller and average size operators, who are farmers requiring credit of $10,000 or less. This fact is evidenced by data on the average size of land-bank loans. While the average size varies among the districts due to differences in the type of farming and the size of farm units, for the System as a whole the average size of Federal land-bank loans was $4,573, during the fiscal year ending June 30, 1948.

Although the Land Bank System has given preference to loans of $10,000 and under, many farmers requiring credit up to $50,000 have been served by the banks. In addition to these farmers there are others that desire loans from the Federal land banks but cannot be served because their needs for farm mortgage credit exceed $50,000. Their farms generally would be classified as large family units since they are owned and operated by a family but because of the type of farming and extent of the operations they involve a relatively large investment in real estate. Such farmers could be served by the land banks and receive the benefit of land-bank loans without impairing in any way the service to farmers on the smaller units. These larger units are primarily livestock ranches in the Western States, along with a few specialty crop and fruit enterprises, and a few larger livestock and diversified family farms largely in the Corn Belt States. By removing the maximum of $50,000 the banks could broaden the service to farmers generally; and since the provisions of the bill do not change the existing legal requirement that all loans above $25,000 must have the approval of the land Bank Commissioner, no such loan could be made unless the association, the land bank, and the Commissioner, after reviewing the size of the operation and the hazards involved, concluded that it would be wise for the association and the bank to assume the risk.

Section 3: For a 5-year period ending July 10, 1938, Congress provided that borrowers from the Federal land banks need not pay currently the principal installments on their loans if they were not otherwise in default (12 U. S. C. 771,

"Twelfth"). To provide the banks with funds to use in their operations in place of amounts extended or deferred, the Emergency Farm Mortgage Act, approved May 12, 1933, provided for subscriptions to their paid-in surplus by the Secretary of the Treasury (12 U. S. C. 781, "Tenth"). For this purpose, a total of $189,000,000 was appropriated in 1933 and subsequent years; all of which has been repaid by the banks and now constitutes a revolving fund in the Treasury available for future subscriptions to paid-in surplus. Such subscriptions can be made only on account of extensions made by the banks to borrowers and with the approval of the Land Bank Commissioner.

The Federal Farm Loan Act contemplates a cooperative farm mortgage system to be owned and operated by the farmers who use the services of the System, subject to Federal supervision. This objective has been kept constantly in mind and the Federal land banks are now completely owned by farmers. The Federal Land Bank System as a farmers' cooperative credit system aims to operate on its own resources even under periods of agricultural distress and its interest rate and other operating policies are designed to make this possible insofar as conditions can be foreseen and met by prudent business practices.

The Federal land banks and national farm loan associations have greatly strengthened their net worth positions and it is considered they have sufficient resources to carry their worthy members and prospective members through most periods of distress. In view of this circumstance and in keeping with the aforementioned objectives, section 3 of the bill would repeal the law creating the paid-in surplus revolving fund and the authority for its use for subscription to the paid-in surplus of the 12 banks and would return the entire amount appropriated therefor ($189,000,000) to the surplus fund of the Treasury.

Section 4: The changes made by this section will simplify internal bank operations and it is hoped will effect savings in operating costs of the banks.

The second sentence of the first paragraph of section 22 of the Federal Farm Loan Act (12 U. S. C. 891) now requires that when a Federal land bank notifies a farm loan registrar of the receipt of payments on a mortgage pledged as bond collateral:

"Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit."

In practice this has meant that, independently of records maintained by the bank, the registrar has had to keep a record of payments on each individual mortgage loan. The object of this requirement may have been twofold: (1) To assure that borrowers receive credit for their payments; and (2) to provide the registrar with a record of the amount by which collateral deposited with him is reduced, so that he may know that the total thereof is at least equal to the amount of bonds outstanding as required by law. However, the first of these objects may be served from a record of payments kept by the bank, and for the second the registrar need only know the total unpaid balance of all mortgages pledged as collateral. Accordingly, to eliminate the requirement that the registrar keep a record of payments on each individual mortgage, and yet have a record of the total amount of collateral on hand, it is proposed to substitute the following for the sentence quoted above:

"Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration."

If this change is authorized, there ordinarily would be no occasion for interest payments on pledged mortgages to be reported to the registrar, as is now required by the first sentence of section 22 of the Federal Farm Loan Act (12 U. S. C. 891), so that requirement would be eliminated also.

The proposed bill would also amend the third sentence of the first paragraph of section 22 of the Federal Farm Loan Act (12 U. S. C. 891), in two respects. The first change would be to eliminate the requirement that the registrar shall cancel mortgages which are paid in full, and place such duty of cancellation on the Federal land bank. For the registrar, who is not named in the mortgage, to inscribe it "canceled" over his signature, has at times required explanation. In any event, it is deemed more appropriate that the cancellation should be by the Federal land bank which is named in the mortgage as mortgagee.

The second change in this sentence would be to relieve the Federal land bank of the duty to pay the fee or charge of the local recording office for satisfying and discharging the lien of record when a mortgage is paid in full without restricting its corporate power to do so in the public interest or to meet provisions of State laws, and to require only that the bank furnish a release or satisfaction to the borrower for use in satisfying and discharging the lien of record.

The Department recommends early consideration and enactment of the provisions included in the enclosed draft.

The Bureau of the Budget advises that there is no objection to the presentation of this proposal for the consideration of the Congress.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

Enclosure

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets; new matter is printed in italics; existing law in which no change is made is shown in roman):

FEDERAL FARM LOAN ACT, AS AMENDED, TITLE 12, U. S. C.

ORGANIZATION OF FEDERAL LAND BANKS

672. ESTABLISHMENT; TITLES; BRANCHES; PUERTO RICO AND ALASKA; LOANS BY BRANCHES

The Farm Credit Administration shall establish in each farm credit district a Federal land bank, with its principal office located in such city within the district as said administration shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the farm credit district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico and the Territory of Alaska; and the Farm Credit Administration shall designate a Federal land bank which is authorized to establish a branch bank in Puerto Rico and a Federal land bank which is authorized to establish a branch bank in the Territory of Alaska. Loans made by each such branch bank shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be 1½ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska [by such branch bank] for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of $5 for each $100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan.

Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be as provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment

date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement.

NATIONAL FARM LOAN ASSOCIATIONS GENERALLY

723. FEDERAL LAND BANKS; DIRECT LOANS—(a) Authorization to make direct loans; provisions relative to loans through associations, applicable to direct loans.

Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality [in the continental United States], or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make loans direct to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he may deem necessary with respect to such direct loans.

RESTRICTION ON LOANS OF FEDERAL LAND BANKS BASED ON FIRST MORTGAGES

771. RESTRICTIONS ENUMERATED.

No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions:

First. SECURITY BY FIRST MORTGAGE.—Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated.

Second. AGREEMENT FOR REPAYMENT ON AMORTIZATION PLAN.—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm-loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan under the rules and regulations of the Farm Credit Administration: *And provided further*, That under the rules and regulations of the Farm Credit Administration any land bank may agree, at the time a loan is made or thereafter, that the mortgagor may make such payments or portions of payments in advance or pay the entire principal of such loan during the first five years the loan is in effect: *And provided further*, That before the first issues of farm-loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter.

Third. MAXIMUM INTEREST RATE.—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments.

Fourth. PURPOSES OF LOANS ENUMERATED.—Such loans may be made for the following purposes and for no other:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least two years prior to the date of the application for the loan.

(e) To provide the owner of the land mortgaged with funds for general agricultural uses.

Fifth. LIMITATION ON AMOUNT OF LOANS; APPRAISAL; REAPPRAISAL.—No such loan shall exceed 65 per centum of the normal value of the farm mortgaged, said

value to be ascertained by appraisal, as provided in sections 751–756 of this title. In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor.

In making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value. In determining the earning power of land used for the raising of livestock, due consideration shall be given to the extent to which the earning power of the fee-owned land is augmented by a lease or permit, granted by lawful authority of the United States or of any State, for the use of a portion of the public lands of the United States or of such State, where such permit or lease is in the nature of a right adjunctive to such fee-owned land, and its availability for use as such during the terms of the loan is reasonably assured.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal.

Sixth. RESTRICTIONS ON ELIGIBILITY FOR LOANS; ASSUMPTION OF MORTGAGE AND STOCK INTERESTS BY PURCHASER OF LAND OR HEIR.—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the farm to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

Seventh. MAXIMUM AND MINIMUM OF LOANS.—The amount of loans to any one borrower shall [in no case exceed a maximum of $50,000, but loans to any one borrower shall] not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under.

Eighth. FORM OF APPLICATIONS FOR LOANS.—Every applicant for a loan under the terms of this subchapter shall make application on a form to be prescribed for that purpose by the Farm Credit Administration, and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required.

Ninth. INTEREST ON DEFAULTED PAYMENTS; PAYMENT OF TAXES AND LIENS; INSURANCE.—Every borrower shall pay simple interest on defaulted payments at a rate not exceeding 6 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at a rate not exceeding 6 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Farm Credit Administration all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interests may appear at time of loss, and at the option of the mortgagor and subject to general regulations of the

Farm Credit Administration; sums so received may be used to pay for reconstruction of the buildings destroyed.

Tenth. AGREEMENT BY BORROWERS AS TO USE OF LOANS.—Every borrower who shall be granted a loan under the provisions of this subchapter shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in subsection fourth of this section.

Eleventh. LOANS NOT INVALIDATED BY UNAUTHORIZED ACTS BY BANKS OR ASSOCIATIONS.—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon.

Twelfth. REDUCTION OF INTEREST ON LOANS AND DEFERMENT OF PRINCIPAL.—Notwithstanding the provisions of paragraph "second" of this section, the rate of interest on any loans on mortgage made through national farm-loan associations or through agents as provided in sections 801–808 of this title, or purchased from joint stock land banks, by any Federal land bank, outstanding on May 12, 1933, or made through national farm loan associations after such date, shall not exceed 3½ per centum per annum for all interest payable on installment dates occurring within a period of nine years commencing July 1, 1935; and no payment of the principal portion of any installment of any such loan outstanding on June 3, 1935, shall be required prior to July 11, 1938, if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. The foregoing provisions shall apply to loans made by Federal land banks through branches except that the rates of interest paid for the respective periods above specified shall be one-half of 1 per centum per annum in excess of the rates of interest paid during the corresponding periods by borrowers on mortgage loans made through national farm-loan associations. The foregoing provisions shall also apply to interest on so-called purchase-money mortgages and on real estate sales contracts taken by the Federal land banks which is payable on installment dates occurring after June 30, 1942, except that in the case of such mortgages and contracts the rate of interest shall be one-half of 1 per centum per annum in excess of the rate paid by borrowers on mortgage loans made through national farm loan associations. The Secretary of the Treasury shall pay each Federal land bank, as soon as practicable after October 1, 1933, and after the end of each quarter thereafter, such amount as the Land Bank Commissioner certifies to the Secretary of the Treasury is equal to the amount by which interest payments on mortgages held by such bank have been reduced, during the preceding quarter, by reason of this paragraph; but in any case in which the Land Bank Commissioner finds that the amount of interest payable by such bank during any quarter has been reduced by reason of the refinancing of bonds under section 992 of this title, the amount of the reduction so found shall be deducted from the amount payable to such bank under this paragraph. No payments shall be made to a bank with respect to any period after June 30, 1944. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $15,000,000 for the purpose of enabling the Secretary of the Treasury to make payments to Federal land banks which accrue during the fiscal year ending June 30, 1934, and such additional amounts as may be necessary to make payments accruing during subsequent fiscal years.

POWERS OF FEDERAL LAND BANKS GENERALLY

781. ENUMERATED POWERS.

* * * * * * *

Tenth. EXTENSION OF OBLIGATIONS UNPAID UNDER TERMS OF MORTGAGES.—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. [The sum of $25,000,000 of the amount authorized to be appropriated under section 698 of this title shall be used

exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph.] The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet. [In the case of any such extension, or in the case of any deferment of principal as provided in paragraph "Twelfth" of section 771 of this title, it shall be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension, and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine, to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank during the preceding period. Such subscriptions shall be subject to call, in whole or in part, by the bank with the approval of the Commissioner upon thirty days' notice. To enable the Secretary of the Treasury to make such subscriptions to the paid-in surplus of the Federal land banks, there is authorized to be appropriated the sum of $50,000,000, to be immediately available and remain available until expended. Upon payment to any Federal land bank of the amount of any such subscription, such bank shall execute and deliver a receipt therefor to the Secretary of the Treasury in form to be prescribed by the Land Bank Commissioner. The amount of any subscriptions to the paid-in surplus of any such bank may be repaid in whole or in part at any time in the discretion of the bank and with the approval of the Land Bank Commissioner, and the Commissioner may at any time require such subscriptions to be repaid in whole or in part if in his opinion the bank has resources available therefor. The unexpended balances of the funds appropriated by the Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat. 279), the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934 (48 Stat. 1060), the Second Deficiency Appropriation Act, fiscal year 1935, approved August 12, 1935 (49 Stat. 592), the First Deficiency Appropriation Act, fiscal year 1936, approved June 22, 1936 (49 Stat. 1597), the Treasury Department Appropriation Act, 1937, approved June 23, 1936 (49 Stat. 1827), and the Treasury Department Appropriation Act, 1938, approved May 14, 1937 (50 Stat. 137), for the purpose of enabling the Secretary of the Treasury to make subscriptions to the paid-in surplus of the Federal land banks, as provided for in this paragraph, and the proceeds of all repayments on account of such paid-in surplus, shall be held in the Treasury of the United States as a revolving fund and shall be available for subscriptions to paid-in surplus made pursuant to this paragraph.]

APPLICATION OF AMORTIZATION AND INTEREST PAYMENTS

891. PAYMENTS UPON MORTGAGES PLEDGED AS COLLATERAL FOR BOND ISSUE; NOTICE TO REGISTRAR; CANCELLATION OF MORTGAGE AND DISCHARGE OF LIEN UPON FULL PAYMENT.

[Whenever any Federal land bank, or joint-stock land bank, shall receive any interest, amortization, or other payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns.]

Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns.

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Union Calendar No. 296

81ST CONGRESS
1ST SESSION

H. R. 3699

[Report No. 694]

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 1949

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

MAY 27, 1949

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Insert the part printed in italic]

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended

by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be *as* provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue

a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The last sentence of the first paragraph of section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is further amended by striking the words "by such branch bank" from the proviso at the end thereof.

(c) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12 U. S. C. 723 (a)), is further amended by striking the words "in the continental United States".

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the

Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit

such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

Union Calendar No. 269

81ST CONGRESS
1ST SESSION

H. R. 3699

[Report No. 694]

A BILL

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

By Mr. POAGE

MARCH 22, 1949

Referred to the Committee on Agriculture

MAY 27, 1949

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

81ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 902

CONSIDERATION OF H. R. 3699

JUNE 24, 1949.—Referred to the House Calendar and ordered to be printed

Mr. SMITH of Virginia, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 266]

The Committee on Rules, having had under consideration House Resolution 266, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 94

81ST CONGRESS
1ST SESSION

H. RES. 266

[Report No. 902]

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1949

Mr. SMITH of Virginia, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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RESOLUTION

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico, to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the

registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes. That after general debate which shall be confined to the bill and continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

House Calendar No. 94

81ST CONGRESS
1ST SESSION

H. RES. 266

[Report No. 902]

RESOLUTION

Providing for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

By Mr. SMITH of Virginia

JUNE 24, 1949

Referred to the House Calendar and ordered to be printed

Instead of the $50 or $60 rent stated by the gentleman from Massachusetts to be the minimum, H. R. 4009 will provide housing at an average rent of something under $30 a month including all utilities. This figure appears on page 19 of the report from the House Committee on Banking and Currency.

Thus, the provisions of H. R. 4009 would aid directly those families which the gentleman from Massachusetts is worried about. I wonder, in view of the fact that this bill does directly provide for those families that the gentleman is concerned about, if he will not support it. Furthermore, the amount of subsidy which is available will permit substantial numbers of families to be housed at rents from $10 to $15 per month including all utilities when their incomes are so low as to warrant such very low rents.

I believe that the distinguished minority leader may wish to correct the impression which he has given the House that no one unable to pay $50 could qualify. I know that the distinguished minority leader wishes to be fair.

EXTENSION OF REMARKS

Mr. BUCHANAN asked and was given permission to extend his remarks in the Appendix of the RECORD in 13 different instances.

Mr. RABAUT asked and was given permission to extend his remarks in the Appendix of the RECORD in four separate instances and in each to include extraneous matter.

Mr. PRESTON asked and was given permission to extend his remarks in the Appendix of the RECORD in two separate instances and to include a newspaper article in each.

AMENDING THE FEDERAL FARM LOAN ACT

Mr. SMITH of Virginia, from the Committee on Rules, reported the following privileged resolution (H. Res. 266) providing for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes (Rept. No. 902), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes. That after general debate which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include certain newspaper articles.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[Mr. RANKIN addressed the House. His remarks appear in the Appendix of today's RECORD.]

PERMISSION TO ADDRESS THE HOUSE

Mr. CHRISTOPHER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

[Mr. CHRISTOPHER addressed the House. His remarks will appear hereafter in the Appendix.]

POST OFFICE DEPARTMENT—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 239)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and together with the accompanying papers, referred to the Committee on Post Office and Civil Service and ordered to be printed:

To the Congress of the United States:

No Federal activity touches more closely the daily lives of the people of this Nation than the postal service. It is not without reason that for many of our citizens the post office has come to symbolize the Federal Government. The manner in which the Government manages this service, one of the world's largest businesses, is necessarily a matter of direct and vital concern to every person in the United States.

We may justly take pride in the achievements of the Post Office Department. No other country furnishes a better or more varied postal service, and many other countries have used our postal service as a model. The magnitude of its operations may be seen from the fact that the Department in 1 year transports and delivers more than 40,000,000,000 pieces of mail and handles more than 800,000,000 transactions in such special services as money orders, collect-on-delivery mail, and postal savings. The Department has done its vast job well and the effectiveness of its operations is a tribute to the loyalty and know-how of its more than 500,000 officers and employees.

The achievements of the Department are all the more remarkable when it is considered that they have been accomplished despite a number of serious handicaps. Many of these handicaps are enumerated in the report of the Commission on Organization of the Executive Branch of the Government. Among the more important obstacles to the efficient administration of the Department noted by the Commission are (1) the maze of out-moded laws which stifle proper administration, (2) the lack of freedom and flexibility essential to the conduct of a business operation, and (3) methods of budgeting and accounting which are entirely unsuited to a business of the size and character of the postal service.

The budget and accounting procedures prescribed by law are particularly cumbersome. Currently, the postal service is operated under 58 separate appropriation items, each of which must be independently justified by the Department officials, reviewed and approved by the Congress, and apportioned for each quarter by the Bureau of the Budget. These individual appropriation items range in amount from $3,000 to over $600,000,000. Every dollar spent must be charged against a specific appropriation, and transfers from one account to another are permitted only within certain narrow limits. The procedures prevent the Department from operating any office as a fiscal unit with the result that the postal management, the President, and the Congress are unable to obtain a complete and accurate picture of postal operations.

The Post Office Department obviously can control its annual expenditures only within broad limits. As in the case of any other business, its expenses, and also its income, will vary in proportion to the demand for its services. However, unlike a private business, the Department cannot refuse to serve its customers. Consequently, attempts to place rigid and detailed limitations on specific activities constitutes a positive hindrance to sound management and efficient service to the public.

The Commission on Organization of the Executive Branch of the Government indicated that there are four principal objectives toward which improvements in the operations of the postal service should be directed. These are:

(1) Accounting, budgeting, and auditing procedures designed to improve management's control of the business.

(2) Flexibility of expenditures to meet fluctuating demands for postal service and varying conditions of operation on a Nation-wide scale.

(3) Reasonable freedom from restrictive laws and regulations governing contracts, purchases, and personnel practices.

(4) Administrative authority commensurate with responsibility.

I am in wholehearted agreement with the objectives set forth by the Commission.

Several steps are essential if we are to accomplish the above goals. I recommend as one of the first steps that legislation be enacted by the Congress to place the Post Office Department under the Government Corporation Control Act of 1945 so that it will have the benefit of the business-type budget, audit, and accounting procedures prescribed by that act. These procedures were specifically devised by the Congress to provide more satisfactory control over Federal activities of a predominantly business nature. This action will strengthen greatly the accountability of the Department to the President and the Congress. This type of budget and audit arrangements will make available to the President and the Congress for the first time the kind of information which is required to appraise accurately the effectiveness of the postal service and to establish adequate controls over its operations.

It will not be sufficient, however, merely to extend the provisions of the Government Corporation Control Act to the Department. As a corollary, the legislation should give to the Department the same degree of financial and operating flexibility as is now possessed by most Federal business enterprises. Such legislation is essential if the postal service is to be conducted on a businesslike basis. It is an axiom of sound administration that authority should be commensurate with responsibility. No authority of management is more important than that of selecting the personnel who are to operate the business. If the Postmaster General is to be held responsible for the efficient conduct of the postal service, he should be given full authority to appoint postmasters and other postal employees subject only to the provisions of the Civil Service and Classification Acts. Legislation should be enacted which will give such authority to the Postmaster General.

In order to strengthen further the management of the Post Office Department, I have transmitted a reorganization plan to the Congress. This plan gives to the Postmaster General essential authority to organize and control his Department by transferring to him the functions of all subordinate officers and agencies of the Department. It also provides for the establishment of the position of Deputy Postmaster General, and an Advisory Board for the Post Office Department. These measures are essential to furnish the Postmaster General with much-needed assistance and to make available to him the advice of outstanding private citizens.

Legislation is now before the Congress which would authorize the Postmaster General to establish a research and development program. The investigations and studies under this program would be for the purpose of improving and introducing new equipment, methods, and procedures in the postal service in order that the business of the Post Office Department may be more efficiently and economically handled. Such a research and development program will contribute significantly to the improved operation of the postal service. I urge that the Congress act favorably upon this legislation.

The postal deficit for the fiscal year 1950, on the basis of current postal rates, would be more than $400,000,000. This deficit results primarily from the volume of postal business which is carried below cost. If the postal service is to be conducted on a businesslike basis, it is essential that the postal rates be brought in line with the increased costs of postal operations. I again strongly urge, as I have in previous messages during the past 2 years, that the Congress enact an adequate revision of the postal-rate structure.

I believe that Reorganization Plan No. 3 of 1949, submitted earlier this week, together with legislation along the lines herein recommended, will enable the Government better to make substantial improvements in the existing organization and operations of the Post Office Department.

HARRY S. TRUMAN.

THE WHITE HOUSE, *June 24, 1949.*

CALL OF THE HOUSE

Mr. ARENDS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. PRIEST. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 113]

Andresen, August H.	Jackson, Calif.	Plumley
Bland	Jennings	Potter
Boykin	Kearney	Powell
Buckley, N. Y.	Kearns	Rivers
Bulwinkle	Kee	Roosevelt
Cavalcante	Keefe	Sabath
Celler	Kennedy	Scott, Hugh D., Jr.
Clevenger	Kruse	Secrest
Cunningham	Lane	Staggers
Dingell	Lichtenwalter	Taber
Fulton	Lodge	Taylor
Gavin	McMillen, Ill.	Thomas, N.J.
Gilmer	Macy	Thompson
Hall, Edwin Arthur	Miles	Towe
Halleck	Morrison	Whitaker
Hart	Morton	White, Idaho
Hébert	Moulder	Withrow
Hoffman, Mich.	Murdock	
Horan	Murphy	
Huber	Pfeifer, Joseph L.	
	Philbin	

The SPEAKER. On this roll call, 376 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mrs. DOUGLAS asked and was given permission to revise and extend the remarks she will make in the Committee of the Whole today and include certain letters and material relating to the housing bill presently being considered.

Mr. HAYS of Arkansas asked and was given permission to extend his remarks in the Appendix of the RECORD and include certain quotations.

CORRECTION OF ROLL CALL

Mr. BOGGS of Louisiana. Mr. Speaker, roll call No. 111 indicates I was absent, whereas the official RECORD shows I was present. I ask unanimous consent that the correction be made accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

RURAL TELEPHONES

Mr. COLMER, from the Committee on Rules, reported the following privileged resolution (H. Res. 267, Rept. No. 903), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 2960) to amend the Rural Electrification Act to provide for rural telephones, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

PERMISSION TO ADDRESS THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PROGRAM NEXT WEEK

Mr. MARTIN of Massachusetts. Mr. Speaker, may I ask the majority leader if he can tell us the program for next week?

Mr. McCORMACK. I will be glad to do so, but before taking up the program for next week may I advise the Members that at 4 o'clock this afternoon the third deficiency appropriation bill will be taken up for consideration.

Mr. MARTIN of Massachusetts. Which means that the bill we are presently considering will go over until next week?

Mr. McCORMACK. Yes. For Monday, Tuesday, Wednesday, and Thursday the program is bracketed.

On Monday, District day, there is one bill, H. R. 4705, to be considered. I understand this will take only a short time.

After consideration of that bill is concluded the housing bill will be taken up and consideration continued until that bill is disposed of.

I may say that it is very important for Members to be here on Monday because the housing bill will be considered under the 5-minute rule. General debate will probably conclude this afternoon and the bill will then be read under the 5-minute rule. We want to dispose of this bill as quickly as possible without undue rush.

After conclusion of consideration of the housing bill, the next order of business will be the bill H. R. 2960, the rural telephone bill, then H. R. 3191, which has to do with compensation to injured

fair compensation to persons contracting to deliver certain strategic or critical minerals or metals in cases of failure to recover reasonable costs, and for other purposes."

H. R. 834 would compensate the mining industry for virtually all losses sustained during the war in connection with mining, or attempting to mine, strategic or critical metals and minerals. It would provide compensation for losses including net capital expenditures which occurred in filling or attempting to fill formal contracts. It would also provide compensation for losses which occurred in attempting to supply such metals and minerals even where no contract was entered into and no Government official knew of the efforts being made to supply the material.

The principle that the Government should compensate war contractors, and volunteers acting without contracts, for losses sustained by them in activities related to the war has not generally been accepted. The implications of this principle are profound, both with respect to our finances and with respect to our free enterprise system, and should be carefully considered before this principle is accepted.

H. R. 834 adopts this principle with respect to a single industry, the mining industry.

During the war many important metals and minerals were in short supply and efforts were made to increase their production. The United States Bureau of Mines and the United States Geological Survey provided assistance in exploration and development work, at no direct cost to the miner. The Reconstruction Finance Corporation stood ready to make mining loans to persons in need of finances to develop mining properties. The Defense Plant Corporation stood ready to construct and equip mining projects. The Metals Reserve Co. offered to purchase the materials produced, either through specific contracts or by purchasing odd lots. The Premium Price Plan for copper, lead, and zinc provided an operating subsidy for increased production.

All of these activities were carried out within the traditional framework of our free-enterprise system. The terms and conditions of the assistance which would be provided were specified in advance. A man who thought he could operate profitably under these conditions was free to do so, and to retain the profits if his operation was successful. If, however, the operation was unsuccessful, either because his costs were higher than expected or because his expectations as to the supply of ore were not realized, it was assumed that he would bear the loss.

The Government might have made use of the cost-plus contract system for operating the mines of the country during the war, in spite of the general reluctance to do so because of the increased costs which would be expected to result from this system. However, this would have eliminated and deprived the mining industry of any profits during the war, except to the extent of the fee involved. Whether this would have been more effective in getting out the needed materials, whether it would have been more economical to the Government, and whether the mining industry would have welcomed it, cannot now be determined. The fact is that the Government did not enter into cost-plus contracts for the operation of the mines. To compensate the unsuccessful for their losses, while the successful retain their profits, leaves the taxpayer with all the harmful results of the cost-plus system and none of its benefits.

I do not believe that the mining industry as a whole wants to adopt the policy that the Government should guaranty it against loss in time of emergency. Regulation of industry and assistance to industry in time of war are necessary. They can be carried out without eliminating all risk of financial loss and opportunity for profit with the resulting incentive for greater efficiency and lower costs.

While the mining industry differs in many respects from other industries, I find no valid basis for the discrimination proposed by H. R. 834. Other industries were urged to do their part in the war program, and other industries responded as splendidly to the challenge of the wartime programs as did the mining industry. Many of these industries were also exposed to risks that were unique to them. They too sustained losses in enterprises undertaken as a part of the war effort. Approval of this bill would likely result in demands by many other classes of persons for amendments which would grant similar relief to them.

Section 2 of H. R. 834 carries the principle of reimbursing war contractors for their losses over to persons who may have had no dealings at all with the Government, and who may have engaged in a mining operation which the Government would have discouraged or forbidden, if the matter had been brought to its attention. Where the Government specifically requested that an operation be undertaken for the purpose of supplying materials to a contracting agency or war contractor, under circumstances which would have led the miner to expect reimbursement, relief can now be had by a person acting on such a request under section 17 of the Contract Settlement Act. Here the elements of a contract are present, together with a fair basis for compensation for the loss resulting from failure by the Government to live up to the expectations it had brought about. Under the proposed amendment, no such basis for liability exists. In fact, the opposite might be the case. A person, hearing of the need for a scarce mineral over the radio might in good faith hurt the war effort considerably by making, on his own initiative, a substantial expenditure of manpower and materials in a fruitless mining operation—however much reason he had to believe minerals were present and however free he might be of fault, negligence or speculative purposes. Furthermore, the application of the principles in this section would subject the Government to an unknown and undeterminable liability and would have a disturbing effect upon wartime controls over materials and manpower.

The Contract Settlement Act of 1944 has been in effect for almost 5 years. The provisions of this act were enacted for the speedy settlement of terminated war contracts. Many settlements have been made under it and many decisions have been made by the boards established under it. I consider it a highly successful piece of legislation, and one which has contributed substantially to the transition from all-out war production.

The Lucas Act, too, of August 7, 1946 (60 Stat. 902) made generous provisions for the payment of equitable claims of contractors including those in the mining industry for losses which occurred in the performance of their contracts.

The enrolled enactment would reopen the entire contract settlement program with respect to minerals and metals at a time when that program has been practically completed. The principle of the finality of settlements, which was adopted in the Contract Settlement Act and which experience has demonstrated to be sound, would be abandoned. Contracts which were canceled because of default by the contractor, contracts which were completed, contracts which have been approved by the courts would be reopened and new claims could be filed by the contractors. This would add a tremendous administrative burden and expense. Moreover, since the personnel familiar with the metals and minerals program have, for the most part, left the Government, it would be very difficult to protect the Government's interest. It would be especially difficult to ascertain the facts with respect to claims made under section 2.

It should be noted that the Office of Contract Settlement reported to Congress that, as a result of a thorough survey, it had determined that the provisions used by Metals Reserve Company—and Reconstruction Finance Corporation as its successor—in terminating and settling contracts for the purchase of metals and minerals provided fair compensation in accordance with the principles of the Contract Settlement Act of 1944.

In my opinion, it would be a serious error to introduce at this time a new principle—insurance against war-caused losses. This would involve reopening the entire program of financing the war, with incalculable effects upon our finances.

To introduce this principle in the case of a single industry would not only give effect to an unsound principle and establish an unfortunate precedent but it would give rise to an unjustifiable discrimination.

HARRY S. TRUMAN.

THE WHITE HOUSE, *July 11, 1949.*

The SPEAKER. The objections of the President will be spread at large upon the Journal.

By unanimous consent, the bill and message were referred to the Committee on the Judiciary and ordered to be printed.

MIDYEAR ECONOMIC REPORT—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 252)

The SPEAKER laid before the House the following message from the President of the United States, which was read and, together with the accompanying papers, referred to the Joint Committee on the Economic Report, and ordered to be printed:

THE WHITE HOUSE,
Washington, D. C., July 11, 1949.

The Honorable the PRESIDENT OF THE SENATE.

The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith a Midyear Economic Report to the Congress. This is supplementary to the Economic Report of the President of January 7, 1949, and is transmitted in accordance with section 3 (b) of the Employment Act of 1946.

In preparing this report I have had the advice and assistance of the Council of Economic Advisers, members of the Cabinet, and heads of independent agencies.

Together with this report I am transmitting a report, the Economic Situation at Midyear 1949, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

HARRY S. TRUMAN.

EXTENSION OF REMARKS

Mr. JENNINGS asked and was given permission to extend his remarks in the RECORD and include an editorial.

CORRECTION OF THE RECORD

Mr. JENNINGS. Mr. Speaker, I ask unanimous consent to make the following corrections in the extension of my remarks made in the Appendix of the RECORD on Tuesday, June 14, of this week:

Insert in line 6 of the third column on page A3858, after the words and figures "On January 18," the date "1940." On page A3859, in column 1, in the sentence below the words "Douglas Dam" in the seventh line thereof, correct the spelling of the word "allays", so that the same may be spelled "alloys."

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

EXTENSION OF REMARKS

Mr. PACE asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. KIRWAN (at the request of Mr. MANSFIELD) was given permission to extend his remarks in the RECORD and include a speech.

PUERTO RICO FARM LOANS

Mr. SMITH of Virginia. Mr. Speaker, I call up House Resolution 266 and ask for its present consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico, to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes. That after general debate which shall be confined to the bill and to continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SMITH of Virginia. Mr. Speaker, this rule makes in order the bill H. R. 3699, reported unanimously by the Committee on Agriculture.

The object of the bill is to extend the Federal Farm Loan Act so as to permit the making of loans in Puerto Rico and Alaska. It also raises the limit of the amount of loans which may be made, doing away with the $50,000 limit, but retaining the provision that all loans over $25,000 must be approved by the Commissioner himself.

Strange as it may seem this bill also returns to the Federal Treasury $189,000,000 which was advanced to the Federal land banks, and for which they have no further need. They are in splendid condition and are now owned by their various and sundry members.

Mr. Speaker, I reserve the balance of my time and I yield such time as he may desire to the gentleman from Ohio [Mr. BROWN].

Mr. BROWN of Ohio. Mr. Speaker, as the gentleman from Virginia [Mr. SMITH] has explained, this is a rather simple bill. It does give authority for the Federal land banks to operate under the Federal Farm Loan Act in Puerto Rico, but above all does save, or returns to the Treasury, $189,000,000, and I hope everyone is in favor of that.

There are no requests for time on this side. The measure was reported unanimously, as I understand it, both by the legislative committee and the Committee on Rules.

Mr. SMITH of Virginia. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 3699, with Mr. HUBER in the chair.

The clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] is recognized for 30 minutes, and the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] will be recognized for 30 minutes.

Mr. COOLEY. Mr. Chairman, as has been explained by the gentleman from Virginia [Mr. SMITH] and the gentleman from Ohio [Mr. BROWN], this bill is very simple. At the same time it is very important. It does recapture and cover into the Treasury the sum of $189,000,000.

Without attempting to discuss the bill myself, I would like to yield to the gentleman from Texas [Mr. POAGE], chairman of the subcommittee which conducted the hearings and reported this bill unanimously to the Committee on Agriculture. The bill was reported unanimously by the entire Committee on Agriculture.

I now yield to the gentleman from Texas [Mr. POAGE] 7 minutes.

Mr. POAGE. Mr. Chairman, this bill does four different and distinct things. These different changes are all thrown into the one bill because they all involve changes in the organization of the Federal Land Bank System. The bill was captioned " A bill to extend privileges of land-bank borrowing to Puerto Rico, and for other purposes." Frankly, it will be my purpose when the bill is read for amendment to offer two amendments that will extend the privileges of the farm-credit system to Puerto Rico, Alaska, and Hawaii, because it seems that they should all be placed on a parity, and other bills were introduced to accomplish that purpose. It can all be done, however, in this one bill. On that point may I call attention to the fact that under the original lank-bank law 12 districts were set up, all in the continental United States. Provision has been made for the execution of loans in Puerto Rico but they had to be handled as direct loans through the Baltimore bank, a direct departure from the policy of the Land Bank System which is a cooperative system under which all of the stock is owned by the borrowers. It was hoped when the system was started, and it has proven true, that the system could be operated as a purely farmer-owned cooperative system. The present policy of requiring loans for Puerto Rico, Alaska, and Hawaii to be made by branch

banks and on different terms than is done in the continental United States does create an incongruity in the Land Bank System; it works to weaken the system.

The experience of the bank with loans in Puerto Rico has been that they have been repaid even better than loans made during similar periods of time in some States of the Union. The loans made through the Baltimore bank—and I say this without intending to cast any reflection on the States included in the Baltimore area—the experience of the loans made in Puerto Rico has been better than on loans made in some of the States of continental United States. So we feel that there should be no objection to the policy of extending to the outlying areas of the United States the same principle that we have now in continental United States.

Section 2 of the bill authorizes a change in the lending powers of the bank. Presently, the land banks are limited to loans of $50,000. You will immediately ask why they should increase the amount. There are two reasons, as I see it, that are fundamental: In the first place the Land Bank System is no longer owned by the Federal Government but is owned entirely by the farmers; and, it seems to me, they should be allowed to make loans to such of their members as they wish wherever these loans are shown to be sound. The more important factor, however, is that in order to carry the small loans that we all want to see carried by the land bank systems, loans of $500 or $1,000, and going on up to $2,500, the banks lose money. On handling those small loans it is inevitable that they lose money, because the cost of servicing those loans is all out of proportion to the cost of servicing the larger loans. There are the same attorney fees; there are the same recording fees, there are the same examination fees, and, in most instances, the bank has all of the overhead on a loan of $500 that it would have on a loan of $100,000.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. AUGUST H. ANDRESEN. Section 2 provides that home loans shall not be made in excess of $25,000; yet the law provides that loans may be made up to $50,000. The Land Bank Commissioner, however, is given the opportunity of approving applications for $25,000. Does the language in section 2 authorize the Land Bank Commissioners to approve loans up to $50,000?

Mr. POAGE. The law allows loans to be made up to $50,000 at the present time.

This bill amends the present law in this respect: Under this bill there is no upper limit for approval by the Land Bank Commissioner when submitted to Washington. The Land Bank Commissioner must approve all those above $25,000, although it requires that the banks give preference to loans under $10,000. The present limit is not $25,000 as the gentleman understood, it is $50,000. The requirement about the $25,000 is that in any loan in excess of $25,000 the security shall be submitted to the Land Bank Commissioner and receive his scrutiny before the loan is approved. The purpose of that, of course, is to make certain that the security offered for these larger loans meets every possible test and is just as good as we can get in the way of security. That is the reason it is required in the case of large loans not only that the local Farm Loan Association endorse the notes as they are required to do today, not only that the local land bank approve the loans but if the loan exceeds $25,000 that it be submitted to the Land Bank Commissioner in order that he may again scrutinize it and determine that there is no possibility of loss on the loan. Actually these loans are the most profitable loans that the land bank can make. Actually the experience of loss on these larger loans is far better than on the smaller loans because they are well scrutinized.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. COOLEY. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. POAGE. Mr. Chairman, these larger loans are generally loans made on business operations—that is, the larger ranches and the larger farms, those that are run on a business-like basis. They are the best loans and the interest from those large loans enables the Land Bank to carry many of the smaller loans that it simply could not carry if it was not allowed to go into this field.

Mr. Chairman, section 3 of this bill returns to the Treasury of the United States $189,000,000. That there may be no misunderstanding about that, I want you to know how this money became available. During the depression of the thirties the Congress from time to time appropriated money and made it available for operative capital of the Land Banks. This was Federal money, just as the Government bought stock in the national banks all over the country; it was Federal money in the land banks. That money has all been paid back, every dollar of it. The banks have paid it out. They do not have any Federal money in their operations now, it is all private money that is operating the land banks. This money has gone back to the Government, but it is held in a special fund which is available under the present law to be put into the capital structure of the land banks at any time. This bill returns that money to the Treasury of the United States, it adds nearly $200,000,000 that you can count off and credit against the appropriations we are making.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the gentleman from Texas has fully explained this bill, which was unanimously reported by the Committee on Agriculture of the House. There is no opposition to the bill on this side and there are no requests for time; therefore I recommend that the bill be read for amendment.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Alaska [Mr. BARTLETT].

(Mr. BARTLETT asked and was given permission to revise and extend his remarks.)

Mr. BARTLETT. Mr. Chairman, this bill can be of real importance in the agricultural development of Alaska. As the report from Secretary Brannan to the Speaker dated April 18, 1949, points out, Alaska is in the same situation as Puerto Rico in that legal authority is not available for organizing or chartering national farm associations. Direct loans through a branch bank have been made in Puerto Rico. No such loans have been made in Alaska. Section 1 of H. R. 3699 would permit the formation of national farm associations in Alaska and Puerto Rico on the same basis as elsewhere.

The committee amendment in the form of a new section 5 takes care, so far as Alaska is concerned, of an omission in existing law which I sought to correct through H. R. 215 and the enactment of which will not be necessary because of the provisions of the new section 5. That section makes it clear that Alaska, Puerto Rico, and Hawaii shall be included in the 12 districts in the United States incorporated in the Farm Credit Act of 1937. So far as Alaska, at least, is concerned, existing law leaves grave doubt as to whether the district banks for cooperatives or production credit associations may operate in the Territory.

Of course, there is no sound reason at all why Alaska should not be on a basis of absolute parity with the States and with the other Territories in respect to laws in aid of agriculture. The fact that parity has not existed is one of the primary reasons, in my opinion, why there has not been more rapid and more effective utilization of Alaska's farming potentialities. There have been very obvious discriminations against the Alaska farmer. At the present time there are available to him only the very limited credit facilities of the Farmers Home Administration. Money for the Alaska office of that administration is allocated from a common pot for the Pacific northwest and is never adequate in amount to satisfy the requirements in the Territory. Other than such aid as can be given by the FHA, the Alaska farmer, attempting to build up an agricultural economy, is altogether on his own. He not only faces all the handicaps that confronted the homesteader in the West but he has the additional obstacles placed in his way by the high latitudes in which he works.

Mr. Chairman, I am proud to say that this House at this session of Congress has done much to remove the discriminations referred to above and to ease the way for the Alaska farming pioneer of the mid-twentieth century. Within the last month the House has passed legislation to authorize appropriations for Alaska equivalent to the full amounts for every State, Hawaii, and Puerto Rico under the acts having to do with experiment stations and with extension service. In Alaska, where we should have been moving forward under a broad and comprehensive program to bring the land into agricultural production, we have up to this time failed to do as much as elsewhere within existing formulas. If the

bills referred to become law, a notable step ahead will have been taken.

Another bill which passed the House at this session will do much for Alaska farmers if it becomes law. That is the bill introduced by the gentleman from Idaho [Mr. SANBORN], providing that loans may be made to homesteaders who have not yet acquired title to the land. This type of loan will make it possible to advance money to homesteaders for clearing purposes and thus will give the settler substantial aid when he needs it most; that is, when he is short of funds and when he is trying to carve a home and a farm out of the wilderness.

Mention should also be made of the fact that a cooperative program has been instituted between the University of Alaska and the Department of Agriculture for fundamental research on a scale that should have been established long ago.

Just the other day, Mr. Chairman, our colleague, the gentleman from Michigan [Mr. MICHENER] was telling me of having been to Fairbanks in 1923. He said he was impressed by the quality of the crops being grown but was surprised at the small acreage at the experiment station. He would find many changes, Mr. Chairman, in the 26 years which have intervened since then. The changes would be even greater and more favorable if this Government had moved forward long ago in an aggressive way to assist agriculture in Alaska and to assist settlers in locating on the land.

The notion that has been prevalent through the years and even yet is all too prevalent that Alaska is a country of arctic characteristics should be dispelled whenever and wherever possible. That description can be applied to only a relatively small part of that great land of 585,000 square miles and has no pertinence whatsoever as to most of the Territory.

It is true that difficulties are found by farmers which are unique but there is nothing that cannot be overcome. It may be that Alaska will not within our time become a great agricultural community. But there is room and room now for many more farmers and we can do much by way of supplying our own needs for certain foodstuffs. Alaska is blessed with so many resources of so many kinds that it has always seemed to me that a reasonably sized agricultural population there, and another segment of the population engaged in other pursuits, could provide the kind of economy that would be mutually beneficial to Alaska and to the States. With more farmers we should not have to import certain crops that can be raised in Alaska. With the building up of our industries, with further exploitation of fishing when that can be properly done, and with an expansion of mining, a situation will be created whereby Alaska's natural resources will flow back to the United States to add to the wealth of this country and some agricultural products will always continue to be sent to Alaska and we hope in ever-greater quantity to the enrichment of farmers in the States.

Estimates have been made that there are 65,000 square miles of Alaska suitable for agriculture and another 35,000 square miles suitable for grazing. The Matanuska Valley has 768,000 acres and of this amount it is estimated 65 percent can be cleared for cultivated crops or permanent pastures. The Tanana Valley contains 7,000 square miles of which a measurable fraction can be utilized for agriculture. On a dollar basis the present production in Alaska is not large. It is running now on the order of about $2,000,000 annually including dairying and livestock raising. On a basis of comparison with great agricultural areas that figure may be small, but on a basis of comparison with past production in Alaska it is highly gratifying. If this bill now before the House passes and becomes law; if the other bills referred to become law, I know that there is enough pioneering instinct in the people of America yet to establish in Alaska a worthwhile agricultural development. Of course, the pioneer should receive especial aids but in Alaska he has received practically none at all and that is one of the great reasons why development has tended to lag. There is a striking example across Bering Strait of what can be done. The Soviet government in Siberia, in comparable latitudes and in comparable soil conditions has built up a great and ever-increasing agricultural industry. Primary research of the kind so vital in subarctic conditions was undertaken there long since and the results have been demonstrated in the steady expansion of agriculture in Siberia. In many other fields the Russian government has aided the farmer, while we have done nothing.

If we are going to build up a substantial population in Alaska, we must have a larger farming population. To insure that population going to Alaska and staying there there must be certain minimum aids and the legislation which I have discussed will provide those aids.

It is now necessary that Alaska advance on all fronts not only for its own sake but for the sake of the Nation. It is our first line of defense.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that the bill be considered as read and be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The bill is as follows:

Be it enacted, etc., That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be as provided in section 12 of this act. Said associations shall be organized pursuant to section 7 of this act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by 10 or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 percent per annum less than the rate paid by him prior to such endorsement."

(b) The last sentence of the first paragraph of section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is further amended by striking the words "by such branch bank" from the proviso at the end thereof.

(c) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 723 (a)), is further amended by striking the words "in the continental United States."

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to application for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 781, 10th), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administrator. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

With the following committee amendment:

Page 2, line 6, after "be", insert "as."

The committee amendment was agreed to.

Mr. POAGE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. POAGE: On page 3, line 9, strike out all of section (b) and renumber section (c) in line 13 so that it will hereafter be designated as section (b).

Mr. POAGE. Mr. Chairman, this amendment, with the one that will follow it, will have the effect of striking out of the present law the requirement that the operations of the land banks in Alaska, Hawaii, and Puerto Rico be operated through branch banks. The bill as originally written did not extend these provisions to Hawaii. This amendment and the amendment which will immediately follow will extend the operations not only of the land banks itself but of all of the farm credit institutions to all three of the outlying parts of the United States on the same terms as within the United States.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The amendment was agreed to.

Mr. POAGE. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. POAGE: On page 5, at the end of the bill, add a new section to be known as section 5 and to read as follows:

"Section 5. The first sentence of section 5 (a) of the Farm Credit Act of 1937 (50 Stat. 703) is amended to read as follows:

" 'There shall be 12 districts in the United States, including Alaska, Puerto Rico and Hawaii, which shall be known as farm-credit districts and may be designated by number.' "

Mr. POAGE. Mr. Chairman, this amendment is necessary, along with the first one, to accomplish the result of extending farm credit facilities to all three of these areas. This changes the present law, which provides that there shall be 12 districts exclusive of Alaska, Hawaii, and Puerto Rico, and includes those areas.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HUBER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, pursuant to House Resolution 266, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

PAYMENT OF CERTAIN CLAIMS AGAINST THE UNITED STATES

Mr. LYLE. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 221 and ask for its present consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 937) to authorize the Secretary of the Treasury to affect the payment of certain claims against the United States. That after general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. LYLE. Mr. Speaker, this resolution makes in order the immediate consideration of a bill to authorize the Secretary of the Treasury to settle four claims against the United States in behalf of foreign claimants. As far as I know there is no controversy.

Mr. Speaker, I now yield 30 minutes to the gentleman from Ohio [Mr. BROWN].

Mr. BROWN of Ohio. Mr. Speaker, as the gentleman from Texas has well explained, House Resolution 221 makes in order consideration of the bill S. 937. The resolution provides for 1 hour of general debate under an open rule. The bill involves a number of small claims of the British and Norwegian Governments. There is certainly no opposition, that I know of, to the rule providing for the consideration of this bill. However, I understand there will be some discussion, and perhaps some amendments, in the Committee of the Whole.

Mr. Speaker, I have no requests for time.

Mr. LYLE. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. KEE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 937) to authorize the Secretary of the Treasury to effect the payment of certain claims against the United States.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 937, with Mr. KARST in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. KEE. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, this is a bill authorizing the Secretary of the Treasury to settle four claims, three of which are claims by citizens of Great Britain against the Government of the United States, and one by a citizen of Norway. The settlement of these claims has been agreed upon through diplomatic channels. Therefore it requires a separate bill and a rule to bring the matter before the House so that the Congress may agree to the settlement. The bill, having passed the Senate, is now before you for consideration.

Mr. Chairman, I yield 10 minutes to the gentleman from Florida [Mr. SMATHERS].

Mr. SMATHERS. Mr. Chairman, as the chairman of the Committee on Foreign Affairs has already pointed out, we have under consideration the bill S. 937, which involves only four small claims by noncitizens of the United States against the Government of the United States.

This bill passed the Senate on March 18 of this year. The total amount of money that is sought under these four claims amounts to only $23,384. So in comparison with the amounts of money which we have been dealing with, it is certainly a negligible amount.

This bill and these claims were considered thoroughly by the Foreign Affairs Committee of the House on two separate days, and was reported out by our committee after debate, and then recommended that the Committee of the Whole approve it.

Briefly, these claims are as follows: I will run through them so that you will know what they are.

The first is a claim by the parents of a young man whose name was James D. Wiggins, who, while 21 years old, served on a British sampan in the Whangpoo River in China as an assistant cook. He was sitting out on the deck one night when suddenly and without warning some shots rang out and this young man fell. In a short time he was dead. The investigation revealed that he was shot by a United States naval seaman whose name was Coyne and then serving on a United States naval surface craft. The Navy called a board of investigation. The board of investigation looked into the matter and discovered that Coyne acted without authority. I would like to read just exactly what they said. They found that this shot was fired without reasonable cause or provocation, in that there was no evidence to indicate that the sampan involved was a menace or a

threat to the ship's safety; that the sentry had acted without due cause or circumspection and with a recklessness which implied indifference to the consequences; and that appropriate steps had not been taken to insure the sentrics aboard the *U. S. S. Carter Hall* were properly instructed, selected, trained, and supervised.

This boy, the deceased Wiggins boy, had made an allotment to his family. They no longer could get that allotment. They presented, through their Ambassador, a claim against the United States Government for the death of their son. After many notes back and forth, and the approval of the United States Navy and State Department, it was agreed that the United States Government should compensate J. D. Wiggins' family by giving payment to them of the sum of $12,097. That is the first claim.

The second claim with which we are concerned is one which resulted in 1944, when a Spanish ship, the *Christina*, which was then on Red Cross duty, docked at a small harbor in France, and was bombed by British and American air forces. The investigation revealed that information had been supplied to the Allied command that this Red Cross ship was in that harbor. However, that information did not seep on down to the strategic command, with the result that a bombing raid was held on this port, and this ship was bombed and damaged, even though it was a Red Cross ship and a Spanish ship.

The British Government paid the full amount of the claim. Because both American and British airplanes participated, they—the British—have properly asked that the United States pay its half. Certainly, it is a well-established precedent that the United States should pay that claim.

The third claim is that of the Norwegian Government on behalf of one of its citizens, a man by the name of Jorgensen. It seems that Jorgensen was master of a ship which was attacked while that ship was in neutral waters, waters controlled by the Portuguese Govcrnment. That ship was attacked by naval craft operating under the control of Gen. Douglas MacArthur. The facts reveal that the weather was bad, and the visibility was poor, and when the attack was made the plane strafed and bombed this ship on which Jorgensen was master, and Jorgensen was severely and grievously injured, with the result that today he is almost completely and permanently disabled. It was admitted, after consultation with the State Department, the Navy, and the Army, that our Government should compensate him in the amount of $5,354, in accordance with long-standing precedent.

The fourth and last claim we are concerned with has to do with a man by the name of Stoker John Bailey who was assigned to a British ship in Seattle harbor in 1939. He was a British subject serving on a British ship at that time. The situation was that Stoker Bailey went ashore at Seattle. He had a date with a girl named Norma. His friend had a date with a girl named Mary. As sailors are inclined to do everywhere, they went into a tavern and began to socialize. Finally a fellow by the name of John Ittner, who belonged to the United States Navy came in. He apparently knew these two girls. When Bailey saw what was happening he took his girl and they went to another tavern. This fellow Ittner, a member of the United States Navy, followed the girl and Bailey into the second tavern. Obviously Ittner had been drinking. He came over to the table where Bailey and the girl were sitting, picked up a glass, broke the top off of it, and jabbed it into the face of this boy, Stoker Bailey, with the result that Bailey was finally taken to a hospital and his eye had to be removed.

Because Bailey was not injured in line of duty, and because he was injured not in line of duty he was not entitled to a pension from the British Navy. He took the matter up through his commanding officer and he in turn referred the claim to our Ambassador.

Later Ittner was tried by a summary court martial. He was acquitted. The summary court charged him with disorderly conduct, and an ensign who was the court, acquitted him. The case went then to the reviewing authority, the Judge Advocate General of the Navy. It was the opinion of the reviewing authority that the acquittal was a gross miscarriage of justice. But because of the constitutional prohibition which keeps a man from being put into jeopardy, tried for the same offense, Ittner was not tried again. Now Stoker Bailey had been injured but had no place to turn. He was put out of the British Navy. Through his Ambassador Bailey made the claim to the United States in an amount of $3,024.38.

Mr. Chairman, very briefly, those are the facts on these four claims. As I said a moment ago, the Army, the Navy, and the State Department have all looked into them, where they were concerned, and they have each approved them. The Senate Committee on Foreign Relations has approved the claims; the House Committee on Foreign Affairs has considered all the claims and they, too, have approved them. The bill now comes up for consideration in the House, and we hope the Membership will see fit to pass this legislation.

Mr. SMITH of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. SMATHERS. I gladly yield to the gentleman from Wisconsin.

Mr. SMITH of Wisconsin. I am wondering whether there is anything to justify the claim of Bailey, the stoker, in this bill. The British Ambassador wrote to the State Department and said that under British law there was no way by which he could be compensated. How can he be compensated under the laws of the United States?

Mr. SMATHERS. There is an old principle of international law known as the denial of justice principle. That principle says that wherever there is a denial of justice, where there are no courts to which an alien can go, where there is no tribunal to which he can petition for justice, it is then the responsibility and the duty of the government which controls the person who committed the felony, or the act, or the tort, whichever you wish to call it—that it is that Government's responsibility to see that justice is done. I will be glad to supply the gentleman with several citations should he desire them.

Mr. SMITH of Wisconsin. I should like to have them.

Mr. SMATHERS. If there are other questions I would be pleased to answer them. If not, Mr. Chairman, I yield back the balance of my time.

Mr. JUDD. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. JENNINGS].

Mr. JENNINGS. Mr. Chairman, the provisions of this bill (S. 937) for the relief of the parties who are named in sections (c) and (d) on page 2 are unobjectionable; but this proposal to pay the man Bailey $3,024.38 under the undisputed facts so far as we can consider them facts is a monstrosity. Only last week as a member of the Committee on the Judiciary of the House I had in my hands a bill introduced by the gentleman from New York [Mr. GAMBLE], to pay $5,000 to the family of a man named Barnett, who was a sailor on a United States ship of war. He drew $50 from the paymaster on his ship and went ashore in the Philippines with the money in his pocket. He went to a restaurant, got a sandwich, went on the outside of the building and sat down. Three colored men in the uniform of American soldiers approached him and killed him. But we denied any recovery because those American soldiers, if they were such, when they killed that American sailor were not in line of their duty. There was no equitable or legal ground upon which we could base a recovery.

Now, what was Bailey doing. Bailey and his companion came over here and saw fit to come ashore in Seattle. This was 10 years ago, not in wartime. They went ashore and got themselves a couple of girls, Rosie and Norma. They were treading the primrose path of dalliance with these American girls. They met this fellow who ultimately came into the room where they were drinking and eating. He had met these two fellows and the two girls. He went over and pulled up his chair and sat down near Bailey. Just what happened, nobody knows. Ordinarily Americans do not hit another fellow just to be hitting him. But there were two girls there. They were in a drinking and eating place. The American broke the bottom off a tumbler and threw the glass in the Britisher's face. It cut out one of his eyes.

Now, it is stated that this is based on justice. There is no principle of law, international or national, that will justify this Government making an appropriation for a foreign sailor under circumstances and facts like that. We just do not do it.

Mr. Chairman, only last week we turned down a bill, and I refer to members of the Committee on the Judiciary, introduced by our good friend from New York [Mr. GAMBLE], because we could not see any legal or equitable ground upon which to pay for the death of that man. It was just a fight between members of our own armed forces. Here is

81ST CONGRESS
1ST SESSION

H. R. 3699

IN THE SENATE OF THE UNITED STATES

JULY 12 (legislative day, JUNE 2), 1949

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended

Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

SEC. 5. The first sentence of section 5 (a) of the Farm Credit Act of 1937 (50 Stat. 703) is amended to read as

follows: "There shall be twelve districts in the United States, including Alaska, Puerto Rico, and Hawaii, which shall be known as Farm Credit Districts and may be designated by number."

Passed the House of Representatives July 11, 1949.

Attest: RALPH R. ROBERTS,

Clerk.

81ST CONGRESS
1ST SESSION

H. R. 3699

AN ACT

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

JULY 12 (legislative day, JUNE 2), 1949

Read twice and referred to the Committee on Agriculture and Forestry

Calendar No. 1155

81st Congress, 1st Session | SENATE | Report No. 1144

FEDERAL LAND-BANK LOANS

October 11 (legislative day, September 3), 1949.—Ordered to be printed

Mr. Ellender, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany H. R. 3699]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, having considered same, report thereon with a recommendation that it do pass with amendment.

A subcommittee was appointed to consider the bill and it was reported back favorably with one amendment. The subcommittee recommended that the limitation on loans to any one borrower be changed from $50,000, as is now the law, to $75,000, rather than remove all limitations as provided in the bill as it passed the House. Your committee concurs in the recommendation of the subcommittee and urges enactment of the bill, as amended.

The report of the subcommittee is attached hereto and made a part of this report.

Report of Subcommittee of the Senate Committee on Agriculture and Forestry on H. R. 3699

ANALYSIS OF BILL

H. R. 3699, as passed by the House of Representatives, makes several amendments to the Federal Farm Loan Act, all of which are designed to improve and make more effective operation of the Federal land banks as a cooperative banking system to aid farmers. The provisions of the bill are explained in the section-by-section analysis that follows:

Section 1

This section authorizes the organization and operation of national farm-loan associations in Puerto Rico and Alaska, and provides that Federal land-bank loans made through such associations may carry the same interest rates and terms as loans made through national farm-loan associations in the States. Heretofore land-bank loans in Puerto Rico have been made direct through the Baltimore bank at a one-half of 1 percent higher interest rate and for a maximum term of 20 years. Legislative history of land-bank legislation indieates that as early as 1921 it was anticipated that farm-loan associations would be ehartered in Puerto Rico when experience warranted.

Aceording to information furnished the subcommittee, the experience of the Baltimore Federal Land Bank in making loans to Puerto Rican farmers has been very good, and no objection has been made to giving farmers in the Territory the privilege of organizing their own farm-loan associations and doing business with the land bank in the normal manner.

While no land-bank loans are being made at present in Alaska, that Territory, sinee 1923, has been on the same legal basis as Puerto Rico in regard to farm-loan legislation, and is included here in order to keep that basis consistent.

Section 2

This section removes the limitation of $50,000 on loans to any one borrower. It does not change the existing requirement that loans in excess of $25,000 must be approved by the Land Bank Commissioner nor that preference be given to loans of less than $10,000. It will permit the banks to make loans on large family-type units—such as ranching properties, fruit enterprises, and specialty farming—which have been among the best types of loans but which they have heretofore been able to handle only to a limited extent because of the limitation mentioned.

Section 3

This section confirms the recent return to the Treasury of the United States of $189,000,000 whieh was appropriated to the Federal land banks in the 5 years ended July 10, 1938, in order to provide the banks with funds to use in their operations in place of amounts extended or principal deferments made on land bank loans during such 5-year period. It does this by repealing the existing statutory provisions for a revolving fund in the Treasury of the $189,000,000 and its use for subscription to the paid-in surplus of the land banks.

The system is now completely owned by farmer-borrowers, is in a sound financial position, has repaid the fund in full, and says that it no longer needs the money.

Section 4

This section simplifies the bookkeeping of the land banks by changing the requirement that the registrar record each payment on the mortgage entitled to credit, to a requirement providing for more economieal operation by eliminating duplicate reeords; and would provide for cancellation of mortgages by the land banks instead of the registrar.

The seetion also lifts the requirement that the banks must discharge the lien of record when a mortgage is paid in full.

Section 5

This section will specifieally include Alaska, Puerto Rico, and Hawaii in a farm-credit district provided by existing law. All lending units under the supervision of the Farm Credit Administration are now making loans in Puerto Rico but none are making loans in Alaska and Hawaii. The original farm-credit legislation did not provide for loans in any of the three Territories and the extensions have been made piecemeal from time to time with the result that the exaet authority of each of the institutions to operate in all three of the Territories may be uncertain in some respects. This section provides a clear and uniform direction that all three of the Territories shall be included in farm-credit districts and, since all the lending institutions under the Farm Credit Administration have authority to operate in a farm-eredit district, removes any question as to the authority of any of such units to operate in Puerto Rieo, Alaska, and Hawaii.

HISTORY OF LEGISLATION

H. R. 3699 was introdueed in the House of Representatives at the request of the Secretary of Agriculture, and was referred to the House Committee on Agriculture. The committee eonducted hearings on the legislation on May 4,

1949, at which representatives of the Farm Credit Administration explained the measure's provisions and urged its enactment. No witnesses appeared in opposition to the measure. The committee reported H. R. 3699 favorably to the House on May 27, 1949, and that body unanimously approved it on July 11, 1949, after adopting to floor amendments.

The chairman of the Senate Committee on Agriculture and Forestry appointed the following subcommittee to consider H. R. 3699 and report its findings to the full committee:

Senator ELLENDER, *Chairman.*
Senator JOHNSTON of South Carolina.
Senator GILLETTE.
Senator THYE.
Senator KEM.

PROCEEDINGS OF THE SENATE SUBCOMMITTEE

The Senate subcommittee met in executive session in room 324, Senate Office Building, on August 12, 1949, with all members in attendance except Senator Kem, who was reported absent on official business. At the request of the chairman of the subcommittee, the following representatives of the Farm Credit Administration were present and answered questions of the subcommittee members:

Carl Colvin, Deputy Governor in charge of Finance and Accounts and Administrative Divisions.

Ernest Diebel, Acting Land Bank Commissioner.

Howard Rooney, Associate Solicitor in charge of agriculture credit.

Raymond J. Mischler, attorney, Farm Credit Division, Office of the Solicitor.

Your subcommittee had before it a copy of the hearings held on H. R. 3699 by the House Agriculture Committee, together with copy of the House committee's report, and in view of the noncontroversial nature of the legislation, it voted to to dispense with open hearings. No new testimony was developed at the executive session, except that two representatives of the Comptroller General—O. K. Blanchard, attorney, Office of General Counsel, and Fred Smith, Assistant Director, Corporation Audits Division—appeared and presented for the subcommittee's consideration the following recommendations of the Comptroller General:

AUGUST 12, 1949.

Hon. ELMER THOMAS,
Chairman, Committee on Agriculture and Forestry,
United States Senate.

MY DEAR MR. CHAIRMAN: Reference is made to S. 1750, Eighty-first Congress, a bill to amend the Federal Farm Loan Act, which is pending before your committee, and which contains provisions corresponding with those of H. R. 3699 as passed by the House of Representatives July 11, 1949.

Section 3 of both bills consists of two sentences. The first sentence would repeal that portion of section 13 of the Federal Farm Loan Act (12 U. S. C. 781, Tenth) by which there is established a revolving fund for subscriptions by the Secretary of the Treasury to the paid-in surplus of Federal land banks under certain conditions. The second sentence provides as follows:

"* * * The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed."

However, a provision of title II of the Department of Agriculture Appropriation Act, 1950, approved June 29, 1949 (Public Law 146, 81st Cong.), directed that the total amount in the said revolving fund ($189,000,000) "be carried to the surplus fund and covered into the Treasury," and such direction was executed by Treasury Surplus Warrant No. 215, dated June 30, 1949. Under the circumstances, it is believed that your committee will wish to delete the now superfluous second sentence from section 3 of S. 1750.

In reporting on H. R. 3699, the House Committee on Agriculture stated that the Federal land banks are now "completely owned" by farmer-borrowers (H. Rept. No. 694, 81st Cong., p. 2). Inasmuch as ownership thus appears to be one of the factors influencing discontinuance of the paid-in surplus revolving fund, certain closely related matters which heretofore have been the subject of recommendations to the Congress by the General Accounting Office (Report on Audit of Corporations of the Farm Credit Administration, 1946, H. Doc. No. 598, 80th Cong., pp. 13–17) and are being renewed in audit reports for subsequent years are

deemed to be of sufficient importance to warrant bringing them to your attention at this time.

It is recognized that the Federal Farm Loan Act, contemplates a cooperative loan system owned and operated, subject to Federal supervision, by the farmers who use the services of the system. In this sense the Federal land banks are now owned by farmers; by the close of the fiscal year 1947 all paid-in surplus and capital stock furnished or owned by the United States had been paid back or retired, and the only outstanding capital stock was held by farmer-borrowers. However, it is important to note that in several fundamental respects the possession of such stock does not entitle the holder to exercise all of the rights usually attendant upon stock ownership. The present law, for example, requires—

1. Retirement at par of all capital stock held by borrowers upon full payment of their loans (12 U. S. C. 672).
2. Establishment of reserves which must be maintained before dividends are payable (12 U. S. C. 901).
3. Approval of the Farm Credit Administration before otherwise proper dividends may be declared (12 U. S. C. 902).
4. That no bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration (12 U. S. C. 965).

These statutory restrictions and other controls incident to operation of the banks as an integral part of the Farm Credit Administration certainly can preclude participation of the present or future stockholders in the complete assets of the banks. Yet the silence of the law with respect to ownership of surplus and surplus reserves apparently has made possible a widespread impression of complete private ownership which has not so far been specifically sanctioned by the Congress. As of June 30, 1946, the combined surplus and surplus reserves of the Federal land banks amounted to $167,705,708, a sum derived largely through the free use of Government capital and other subsidies, as compared with a total private capital investment of $65,790,086 (only 1 of the 12 banks was subject to audit during the fiscal year 1947).

These circumstances indicate a need for reexamination of the status of the banks and their relationship with the Government for the purpose of clarifying the ownership question, particularly as it affects the disposition of surplus and reserves. One method of clarifying the situation and insuring preservation of the Federal interest, if that course of action is favored by the Congress, would be to direct that earnings realized from interest-free capital furnished by the Government (as distinguished from earnings by private capital) be segregated and held unavailable for the payment of dividends, or for distribution upon liquidation.

The Government Corporation Control Act (31 U. S. C. 841) provides for an audit of the Federal land banks only "for any period during which Government capital has been invested therein." Government capital, construed in the sense of subscriptions from the revolving funds for capital stock and paid-in surplus, no longer is invested in the banks, and consequently none of them have been subject to audit by the General Accounting Office since June 30, 1947. However, there is available to them, within the Farm Credit Administration and without necessity of further legislative action, directly from the capital stock revolving fund (12 U. S. C. 698), the sum of $125,000,000. Also, there are available indirectly from the Federal Farm Mortgage Corporation through authority to make loans in federally guaranteed bonds of that Corporation, etc. (12 U. S. C. 723 (f), 781 and 1020d), substantial additional sums.

In view of these commitments for Federal financial assistance, the question as to Federal equity in the earned surplus funds used for operations, and the fact that the banks perform functions essential to the farm credit and banking structure under the substantial control of the Farm Credit Administration, it is believed that a very definite need continues to exist for an audit and report by the Comptroller General of the United States in order that the Congress may be informed, by independent and impartial means, concerning the management, policies, and financial status of the banks. Of course, reinstatement of such a commercial-type audit under the Control Act would not interfere with the status the banks otherwise enjoy any more than does the existing regulation of the banks by the Farm Credit Administration. The General Accounting Office would continue to use in such audits to the fullest extent practicable, as required by the Control Act, the reports of examinations by the Administration. Finally, reinstatement of such audits of the land banks would enable the General Accounting Office again to furnish Congress with a complete and independent audit report on all the interrelated activities of the Farm Credit Administration, which is not possible under the present situation.

Consideration of these two recommendations in connection with the present bill, if feasible, is earnestly recommended. Members of my staff will be available to furnish any additional information or assistance desired.

Sincerely yours,

LINDSAY C. WARREN,
Comptroller General of the United States.

After informally discussing the Comptroller General's recommendations with the representatives of the two agencies, the subcommittee requested the Farm Credit Administration officials to study the proposals and submit a written report to the subcommittee embodying their views and recommendations. This report, dated August 15, 1949, and signed by I. W. Duggan, Governor of Farm Credit Administration, has been received by the subcommittee. It reads as follows:

AUGUST 15, 1949.

Hon. ALLEN J. ELLENDER, Sr.,
Chairman, Subcommittee, Committee on Agriculture and Forestry,
United States Senate.

DEAR SENATOR ELLENDER: This letter is in response to your oral request, following the executive session of your committee last Friday, that the Farm Credit Administration present its views concerning the content of the letter addressed to Senator Thomas under date of August 12 by the Comptroller General of the United States, a copy of which was handed to Mr. Diebel at the conclusion of the meeting.

The second paragraph of the letter from the Comptroller General deals with section 3 of S. 1750 and also section 3 of H. R. 3699, which was passed by the House on July 11, 1949, and which provides for the repeal of the statutory authority for the revolving fund representing Government subscriptions to the paid-in surplus of the Federal land banks and the return of the funds to the Treasury. We concur in the view that the second sentence of section 3 of H. R. 3699 might be deleted as being superfluous inasmuch as the funds were returned to the surplus fund of the Treasury on June 30, 1949, pursuant to title II of the Department of Agriculture Appropriation Act of 1950.

With respect to the other points discussed in the letter from the Comptroller General, we wish to submit the following comments.

As the Comptroller General states in his letter, the Federal Farm Loan Act contemplates a cooperative farm mortgage system, subject to Federal supervision, to be owned and operated by the farmers who use the services of the system. This objective has been kept in mind constantly and the capital stock of the Federal land banks is now completely owned by farmers. The Federal land bank system as a farmers' cooperative credit system aims to operate on its own resources and the banks have strengthened their net worth positions to the point where we believe this can be done.

The Comptroller General recognizes that in this sense the Federal land banks are now owned by farmer-borrowers. However, he suggests that although the Federal land banks at the close of the fiscal year 1947 had returned to the United States Treasury all paid-in surplus and capital stock of the Government, nevertheless there are certain combined surplus and surplus reserves in the Federal land banks "derived largely through the free use of Government capital and other subsidies" in which there is some possible claim of Federal ownership.

The free use of Government capital was specifically authorized in the original Federal Farm Loan Act of 1916 establishing the Federal land banks, and a method for its orderly repayment provided. All of the original Government capital was retired by 1934. Under an amendment to the act approved January 23, 1932, the Secretary of the Treasury was authorized to subscribe $125,000,000 of additional capital stock to the Federal land banks, and under the Emergency Farm Mortgage Act of 1933 the Secretary of the Treasury was authorized to subscribe to paid-in surplus of the banks to permit them to grant further extensions and to defer maturing principal on borrowers' loans. This paid-in surplus subscription totaled $189,000,000. The foregoing actions were taken because of the national emergency and because the Federal land banks and the national farm loan associations were the instrumentalities selected by the Government to play the principal part in the program to refinance agriculture and to unfreeze assets in the form of agricultural paper held by commercial banks, insurance companies, and other lenders. Any claim that the United States retains an ownership interest in earnings derived from the original capital and the additional capital would be contrary to the purpose of such subscriptions to capital and to the statutory plan that the stock subscribed in connection with the Federal land bank loans

eventually should represent the sole ownership of the Federal land banks. Moreover, the original Federal Farm Loan Act expressly provided that "stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference." The foregoing provision applies to the additional capital stock as well as the original capital stock and, therefore, both stand in the same position as regards any responsibility of the land banks to return more than the principal amount of the Government subscriptions to capital stock. Further, the law provides that the paid-in surplus shall be repaid, and there is no provision under which the United States would acquire or retain any ownership interest in the general earnings of the banks on such paid-in surplus.

The Comptroller General cites several statutory provisions which he interprets as precluding full participation of the present or future stockholders of the Federal land banks in the complete assets of the banks, and suggests that because the law is silent with respect to the ownership of surplus or surplus reserves in the event of liquidation of the Federal land banks, there is a need for reexamination of the status of the banks in their relationship with the Government for the purpose of clarifying the ownership question. As pointed out above, it is our view that there is no ambiguity in the law with respect to the nonexistence of any right of the Government in any surplus and surplus reserves which may have resulted from the presence in the land bank system of the original capital, additional capital, or paid-in surplus.

We agree with the conclusion of the Comptroller General that the Government Corporations Control Act (31 U. S. C. 841) provides for an audit of the Federal land banks only "for any period during which Government capital has been invested therein," and since Government capital is no longer invested therein, none of the banks of the system has been subject to audit by the General Accounting Office since July 1, 1947. In this connection, the legislative record of the hearings held in May and June 1945 on the Government Corporations Control Act clearly shows that Congress considered specifically the case of the Federal land banks and exempted them from this control and additional costs of audit after the repayment of Government subscription to capital stock and paid-in surplus. However, the Comptroller General contends that his office now should be given authority to audit the Federal land banks. The principal reasons advanced in support of such authority to audit are (1) certain commitments available in the law for future Federal financial assistance to the Federal land banks, (2) the question as to Federal equity in the earned surplus funds used for operations, and (3) the fact that the banks perform functions essential to the farm credit and banking structure under the substantial control of the Farm Credit Administration.

With respect to the first reasons it might be well to mention that the sum of $125,000,000 now in the capital stock revolving fund in the Treasury has been fully repaid by the Federal land banks and there is no apparent immediate prospect that it will be necessary to call upon the Treasury to reinvest such funds in the banks. However, in the event any such funds are resubscribed as to any bank, that bank would immediately again become subject to audit by the General Accounting Office under the express terms of the Government Corporations Control Act. Accordingly, it seems that the law as it presently stands makes adequate provision for Government audit at such times as any Government capital may be present in the land banks system. The only other "commitments for Federal financial assistance" are the authorities of the Federal Farm Mortgage Corporation (1) to make loans to the Federal land banks and (2) to purchase bonds of the Federal land banks. The exercise of either of these authorities would not be an investment in the capital of the Federal land banks, and therefore, would not furnish a basis for the application of the Government Corporations Control Act.

We have already discussed the second of these reasons and expressed our viewpoint with respect to the complete lack of Federal equity in the earned surplus funds of the Federal land banks.

As to the third reason, we do not think it follows that it is necessary for the General Accounting Office to audit the Federal land banks in order to properly discharge its function incident to auditing the other governmentally capitalized corporations within the Farm Credit system. A major consideration is the additional cost that would be necessary to be absorbed by the Federal land banks, which in turn are owned by farmer-stockholders. Moreover, the boards of directors of the banks and others primarily interested in fostering the farmer-owned and farmer-operated system would voice strenuous objection to the resump-

tion of audits by the General Accounting Office now that the investment of the Government has been repaid because there is now and always has been a procedure established pursuant to the Farm Loan Act under which independent examinations are made at least annually of each of the 12 Federal land banks at their expense. The examination function is carried on in Farm Credit Administration through a staff of Federal examiners, created by the Farm Loan Act and supervised by a chief examiner who reports directly to the Governor; these examiners are all public officials whose responsibilities as fixed by law are similar to those of national bank examiners. The reports of these examinations are used as effective media to evaluate the functioning of these institutions and supply management with an independent report on their operations. In this connection we have in our files very favorable comment from the General Accounting Office as to the existing procedure in examining these institutions and the quality of the reports.

As you are aware, the Farm Credit Administration is required by law to submit annual reports to the Congress on the operations of the institutions under its supervision, and extensive and detailed information with respect to the operations, financial transactions, and financial condition of the Federal land banks and the other Farm Credit Administration institutions is thus presented to the Congress. If the General Accounting Office should need information on the land banks, it could obtain such data from Farm Credit Administration by request.

We appreciate the opportunity afforded to make the foregoing comments, and if there is any additional information you desire we shall be glad to furnish it.

Sincerely yours,

I. W. Duggan, *Governor.*

RECOMMENDATIONS OF SENATE SUBCOMMITTEE

Your subcommittee recommends enactment of H. R. 3699 as passed by the House with one exception. Section 2 of the bill would remove any limitation on the amount of a loan to any one borrower, the present law now providing a limitation of $50,000. Your subcommittee is of the opinion that some limitation should be contained in the law which would allow handling of practically all cases yet would provide a safeguard against loans of unreasonable amounts. Therefore, your subcommittee recommends favorable consideration of H. R. 3699 with the following amendment.

On page 3, strike out lines 16 to 20, inclusive, and insert in lieu thereof the following:

"Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of $75,000, but loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

Allen J. Ellender, *Chairman.*
Olin D. Johnston.
Guy M. Gillette.
Edward J. Thye.
James P. Kem.

○

Calendar No. 1155

81st CONGRESS
1st Session

H. R. 3699

[Report No. 1144]

IN THE SENATE OF THE UNITED STATES

July 12 (legislative day, June 2), 1949
Read twice and referred to the Committee on Agriculture and Forestry

October 11 (legislative day, September 3), 1949
Reported by Mr. Ellender, with an amendment

[Omit the part struck through and insert the part printed in italic]

AN ACT

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be as provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth

paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 723 (a)), is further amended by striking the words "in the continental United States".

SEC. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

~~"Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."~~

"Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of $75,000, but loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the

Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge

the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

SEC. 5. The first sentence of section 5 (a) of the Farm Credit Act of 1937 (50 Stat. 703) is amended to read as follows: "There shall be twelve districts in the United States, including Alaska, Puerto Rico, and Hawaii, which shall be known as Farm Credit Districts and may be designated by number."

Passed the House of Representatives July 11, 1949.

Attest: RALPH R. ROBERTS,

Clerk.

Calendar No. 1155

81ST CONGRESS
1ST SESSION

H. R. 3699

[Report No. 1144]

AN ACT

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

JULY 12 (legislative day, JUNE 2), 1949
Read twice and referred to the Committee on Agriculture and Forestry

OCTOBER 11 (legislative day, SEPTEMBER 3), 1949
Reported with an amendment

Northwest who are members of neither committee were called in.

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

Mr. MAGNUSON. If the Committee on Public Works will accept the amendment which will be suggested by the Senators from Oregon and myself and by other Pacific Northwest Senators, we will be glad to let the bill go through. But these amendments are going to require some discussion, and probably some of them will be controversial.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. MAGNUSON. My time, I believe, has expired.

The PRESIDING OFFICER. The time of the Senator from Washington has expired.

Mr. MALONE. Mr. President, I ask unanimous consent that the time of the Senator from Washington may be extended for a minute or so in order that I may ask him a question.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MALONE. Suppose by January of next year the matters in question shall still be confusing to the other committee. Will we be justified in continually postponing action?

Mr. MAGNUSON. Oh, no; under no circumstances would we be justified in doing so. If this matter cannot be resolved very quickly after the first of the year, the rivers and harbors bill should be passed promptly by all means. I am in favor of its passage, and so is the Senator from Wyoming.

Mr. MALONE. I thank the Senator.

Mr. O'MAHONEY. Is it my understanding that the bill is going over?

The PRESIDING OFFICER. If objection is made.

Mr. GEORGE. Mr. President, before the bill goes over I wish to offer an amendment. Numerous amendments have been offered. I desire to offer another amendment so as to perfect the bill regardless of whether it is considered today or not. I talked with the distinguished chairman in charge of the bill before he left the Senate Chamber and he said my amendment is agreeable to him, if I could obtain the exact estimate from the Board of Army Engineers on an item in the bill on page 23. It is a mere authorization to appropriate the sum of $40,000,000 for the construction of the Hartwell project. I offer an amendment in line 5, page 23, after the words "sum of" to strike out $40,000,000 and insert $68,377,000.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Georgia.

The amendment was agreed to.

Mr. O'MAHONEY. Mr. President, I am going to ask that the bill go over, but in doing so I want it clearly understood that I am not making any objection to the rivers and harbors items which are in the bill. The bill as reported by the committee contains provision for certain Army engineer works in the Columbia River Basin. These works are part of a comprehensive plan worked out by the Bureau of Reclamation as well as the Army engineers. The plan ought to be maintained as a unit. It would be a great mistake, it seems to me, to divide it, and, because of the desirability of preserving unity in the construction as well as in the consideration, and because of the impossibility at this time of going into the details of certain power construction as well as reclamation construction that is desirable, the Committee on Interior and Insular Affairs has generally felt that the matter ought to go over. And so, Mr. President, with that explanatory remark, I ask that the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

The next bill on the calendar will be stated.

FEDERAL LAND-BANK LOANS

The bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes; was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. HOLLAND. Mr. President, the senior Senator from Louisiana [Mr. ELLENDER] is detained in conference on the agricultural bill. He asked me to file, in connection with House bill 3699, an explanation of the several sections thereof, which I do here and now, and ask that it be printed in the RECORD at this point.

There being no objection, Mr. ELLENDER's statement was ordered to be printed in the RECORD, as follows:

EXPLANATION BY MR. ELLENDER OF H. R. 3699

Section 1 of this bill permits national farm-loan associations to organize and operate in Puerto Rico and Alaska, and will permit loans by these associations at the same rate of interest and for the same term as is permitted in the States. At the present time Puerto Rican farmers must borrow direct from the Federal land bank at Baltimore, and must pay a one-half of 1 percent higher interest rate, with a maximum loan term of 20 years. Information furnished the committee shows that the Baltimore Federal Land Bank program in Puerto Rico has operated satisfactorily, and we believe these farmers can now be placed on an equal basis with farmers in the United States. While no Federal land bank loans have been made up to this time in Alaska, the committee believes it advisable to include this Territory in the pending authorization in order to continue the policy of the Congress to treat Alaska and Puerto Rico on the same legal basis.

Section 2 increases the limitation on the size of Federal land bank loans to any one borrower. Under existing law, loans to any one borrower may not exceed $50,000, and the pending bill simply extends this limitation to $75,000. The House removed the limitation altogether, but the Senate Committee on Agriculture and Forestry believes some ceiling should be retained on this type of loan, and agreed upon the figure of $75,000. The present law directs that any loans in excess of $25,000 must be approved by the Land Bank Commissioner, and that preference be given to loans under $10,000—the pending bill retains those provisions.

Section 3 confirms the recent return to the Treasury of the United States by the Federal land banks of the sum of $189,000,000, which represents funds appropriated to the Federal land banks in the 5 years ended July 10, 1938. The statutory provision under which these funds were made available is repealed. Senators may recall that during the depression the Congress made these funds available to the Federal land banks in order to defer interest and principal payments on land-bank loans to farmers. All of the money has been repaid by the farm-loan associations, and the Federal land bank officials advise us that the money is no longer needed by them.

Section 4 permits several minor simplifications in the bookkeeping system of the land banks, and lifts the requirement that the banks must discharge the lien of record when a mortgage is paid in full.

Section 5 clarifies the status of Alaska, Puerto Rico, and Hawaii by specifically including them in a farm-credit district provided by existing law. Originally, the Congress did not provide for farm-credit loans in the three Territories, but subsequently made certain extensions on a piecemeal basis. The committee was advised that the exact status of the authority to operate in the three Territories is not clearly defined, and section 5 would simply provide a clear-cut directive that would permit all lending institutions under the Farm Credit Administration to operate in Puerto Rico, Alaska, and Hawaii, on the same basis as they operate in the United States.

Mr. SCHOEPPEL. Mr. President, may we have a short résumé of the explanation?

Mr. HOLLAND. Mr. President, I shall be very happy to explain the items. The principal purpose of the bill, as I am advised by the senior Senator from Louisiana—and, incidentally, I sat in at the time of the approval of the bill by the Senate Committee on Agriculture and Forestry, but had not given any further thought to the measure from that time until now—the principal purpose is to allow the installation of national farm loan associations in Puerto Rico and Alaska. Heretofore Puerto Rico has been operating as a part of the territory covered by the Federal Land Bank of Baltimore, but that has proved inconvenient and the history of the operation in Puerto Rico is such as to justify, in the judgment of the committee, the establishment of a Federal land bank for Puerto Rico.

Section 2 provides that the maximum limitation for any loan shall be raised from $50,000 to $75,000. The House bill did away with the $50,000 limitation and imposed no other limitation. But by the Senate committee amendment the limitation on one loan would be simply raised from $50,000 to $75,000.

Section 3 confirms the recent return to the Treasury of the United States by the Federal land banks of the system of the sum of $189,000,000, which represents funds appropriated to the Federal land banks in the 5 years ended July 10, 1938. That constituted, at the time, a revolving fund, but it has since been re-

paid in its entirety by the present owners of the banks, that is, the growers, the farmers. The bill confirms that, and retires the last of the Federal funds which were advanced for the organization and enlargement of the banks.

Section 4 has to do with some details of the bookkeeping of the banks, and section 5 clarifies the status of Alaska, Puerto Rico, and Hawaii, including them in a single farm-credit district by themselves.

The Senate committee unanimously approved this measure, with the amendments which are reported to the House bill. The House passed the bill several months ago.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry with an amendment on page 3, after line 13, to strike out:

Seventh. The amount of loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under.

And in lieu thereof, to insert the following:

Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of $75,000, but loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for tions for loans of $10,000 and under.

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

BILL PASSED OVER

The bill (H. R. 5731) to discharge a fiduciary obligation to Iran, was announced as next in order.

Mr. SCHOEPPEL. Over.

Mr. DONNELL. By request, I object.

The PRESIDING OFFICER. The bill will be passed over.

COUNTY HOSPITAL AT ALBUQUERQUE, N. MEX., FOR TREATMENT OF INDIANS

The Senate proceeded to consider the bill (S. 2404) authorizing an appropriation for the construction, extension, and improvement of a county hospital at Albuquerque, N. Mex., to provide facilities for the treatment of Indians, which had been reported from the Committee on Interior and Insular Affairs with amendments.

Mr. SCHOEPPEL. Mr. President, may we have an explanation of the bill?

Mr. ANDERSON. Mr. President, the Senator from Minnesota [Mr. HUMPHREY] has an amendment on the desk to which we are agreeable, and would like to accept. However, the amendment is not in proper order. It reads as an amendment to page 4, line 7. It should be page 4, line 22.

On behalf of the junior Senator from Minnesota [Mr. HUMPHREY] I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from New Mexico on behalf of the Senator from Minnesota will be stated.

The LEGISLATIVE CLERK. On page 4, line 22, after the word "this" it is proposed to strike out "section" and insert "Act."

The amendment was agreed to.

The PRESIDING OFFICER. Does the Senator from Kansas object to further consideration of the bill?

Mr. SCHOEPPEL. I should like to ask the distinguished Senator from New Mexico with respect to one phase of the bill. Is not the provision for the guarantee of the minimum payment by the Federal Government because of the beds reserved for Indian patients a unique feature of the bill? I should like to have some explanation from the Senator from New Mexico on that point.

Mr. ANDERSON. I will say to the distinguished Senator from Kansas that I do think it is a new and unusual proposal. The problem of what to do with Indian hospitals has perplexed the Southwest for a long time. There is a gradual move to try to integrate the Indians with the rest of the population, and it has been felt desirable in this particular instance, rather than to have a group of small isolated hospitals where nursing service and proper medical service are not available, that there should be one place where many of the Indians could go and where they would be treated with other citizens of the community.

This is an attempt which the Department of the Interior has endorsed, to try to bring them together in community hospitals publicly owned rather than to have a small group of isolated hospitals, very expensive to operate, scattered around the country.

Mr. SCHOEPPEL. In other words, this would be a decided saving of expense in the end?

Mr. ANDERSON. We think it would mean a very substantial saving, not only in expense, but of medical facilities and of those who are engaged in that type of work.

Mr. SCHOEPPEL. A much more skilled type of service would be available to them.

Mr. ANDERSON. Yes.

The PRESIDING OFFICER. The clerk will state the committee amendments.

The first amendment of the Committee on Interior and Insular Affairs was on page 1, line 5, after the words "the sum of", to strike out "$1,800,000" and insert "$1,500,000."

The amendment was agreed to.

The next amendment was, on page 1, line 10, after the words "not less than", to strike out "eighty" and insert "one hundred."

The amendment was agreed to.

The next amendment was, on page 3, line 7, after the numeral "25", to strike out "secs. 452 and the following" and insert "sec. 454."

Mr. ANDERSON. Mr. President, there was an error in printing. The language on page 3, line 7, should read "secs. 452-454."

The PRESIDING OFFICER. Does the Senator offer that amendment to the committee amendment?

Mr. ANDERSON. I offer that amendment to the committee amendment.

The PRESIDING OFFICER. Without objection, the committee amendment will be amended accordingly.

The amendment was agreed to.

The next amendment was, on page 3, line 12, after the word "for", to strike out "eighty beds" and insert "eight per centum of the beds required to be made available."

The amendment was agreed to.

The next amendment was, on page 3, line 20, after the word "contract", to insert:

Provided further, That the authority of the Commissioner of Indian Affairs to make such payments shall expire on June 30, 1954: *Provided further*, That on or before December 31, 1953, the Secretary of the Interior is authorized and directed to report to the Congress his recommendations with respect to the amounts (together with the formula used in arriving at such amounts) to be paid for such purposes after June 30, 1954: *And provided further*, That the Commissioner of Indian Affairs may for temporary periods waive the requirements that one hundred beds always be available for Indians, if for any temporary period such a number is not needed or required, and if in return the operator agrees that the minimum charge should be proportionately reduced.

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. PEPPER. Mr. President, I have no objection to the passage of this bill, but I do wish to call the attention of the able Senator from New Mexico to page 2 of the bill, lines 23 and 24, reading as follows. I begin with the beginning of the proviso, a few lines before that:

Provided, That such hospital shall be constructed, operated, and maintained by the County of Bernalillo, State of New Mexico, or its successor operator, in accordance with standards acceptable to the American Hospital Association and the American Medical Association.

I do not know of any other bills which lay down such standards. I was wondering if the Senator would object to inserting, in lieu of those two lines, the language "in accordance with standards prescribed for such hospitals by the State of New Mexico."

Mr. ANDERSON. I would not object to that language, I will say to the distinguished Senator. I was only trying to live up to standards which are common over the United States for Government hospitals.

Mr. PEPPER. The reason I make that suggestion is that the language of the Hill-Burton Act with respect to Federal hospitals is:

Provide minimum standards to be fixed in the discretion of the State.

The States are the ones who lay down the standards. I would be willing to say "shall apply the standards which are applied by the State of New Mexico to other hospitals which receive Federal aid."

Mr. ANDERSON. I regret to say to the distinguished Senator from Florida that I was not aware of the language in

a 75 cents minimum wage is required, but I cannot approve of this new authority for the Wage and Hour Administrator and his aides.

Mr. LESINSKI. Mr. Speaker, the conference agreement makes changes in a number of provisions of the act relating to coverage and exemptions. The effect of these provisions is as follows:

DEFINITION OF "PRODUCED"

The changes in section 3 (j) defining the term "produced" do not affect the coverage of employees engaged in commerce or in the actual production of goods for commerce, but they do draw a more precise line, in the field of those activities which are related in varying degrees to the production of goods for commerce, between activities which are covered and those which are not covered. It is clear, for example, that, under the new definition, coverage of the act in this field does not extend any farther than the courts have interpreted it to extend under the language of the present definition. The amended section gives the courts a more specific guide as to the intention of Congress; it does not, however, radically revise the coverage of the act as it has been interpreted by the courts in the past.

Employes engaged in activities which are several degrees or stages removed from the production of goods for commerce cannot be said to be engaged in a process or occupation closely related thereto. For example, employees of a dealer who sells sawmill equipment to a producer of mine props, which are sold to a mine within the same State producing coal for commerce, would not be sufficiently closely related to the production of the coal to come within the coverage of the act.

On the other hand, the employees of the mine prop producer, in such a situation, would be covered under the conference agreement, as would employees engaged in numerous other activities which are directly essential to production, whether they are employed directly by the producer or by a second employer. For example, employees engaged in such activities as the following for a producer for commerce, even though not employed by him, would still be entitled to the benefits of the act under the revised definition unless specifically exempted by some other provision: Office workers engaged in keeping books, filing, handling correspondence, advertising, promoting sales, and so forth; repair, maintenance, and custodial workers caring for or working on equipment, buildings, and facilities of the producer; producing or furnishing equipment, machinery, and supplies which are used in production; producing or supplying power, water, fuel, and similar utilities to a producer.

EXEMPTIONS

The conference agreement adopts two provisions of the House bill which brought within the coverage of the act groups of employees who heretofore have been exempt from its provisions.

First. The existing minimum wage exemption applicable to the canning of fish, shellfish, and other acquatic forms of animal or vegetable life or any by-product thereof is eliminated but the overtime exemption for employees engaged in this work is continued. The statement of the managers on the part of the House explains the effect of this change.

Second. The minimum-wage exemption which has been applicable to employees of carriers by air subject to the provisions of title II of the Railway Labor Act is eliminated but the overtime exemption for these employees is continued.

The conference report contains more precise clarifying language defining the scope of the present retail and service establishment exemption—section 13 (a) (2) of the act. This exemption is contained in three clauses numbered (2), (3), and (4) in the conference agreement. Both the House bill and the Senate amendment provided for these three clauses. The language of the clauses as they are contained in the conference agreement is substantially the same as the language of the Senate amendment.

The effect of the amendments to section 13 (a) (2) provided for in the conference agreement is explained in the statement of the Managers on the Part of the House. Several of the statements which are made, however, may well be amplified and clarified. For example, the reference to *Roland Electrical Co.* v. *Walling* (326 U. S. 657), should not mislead anyone into concluding that the conferees intended to reverse or nullify that decision. This is clear from the following statement in the conference report:

> The amendment also does not exempt an establishment engaged in the sale and servicing of manufacturing machinery and manufacturing equipment used in the production of goods, because the sale and servicing of such equipment have never been recognized as retail selling or servicing in the industry which distributes or services that type of equipment.

The same is true of *Boutell* v. *Walling* (327 U. S. 463). The conference agreement does not change the status, insofar as the retail or service exemption is concerned, of establishments which are not ordinarily available to the general consuming public.

The provisions of section 13 (a) (4) do not make retail establishments of manufacturing establishments merely because such establishments have, or create, a retail outlet in the same building. The section does not permit the tail to wag the dog, and the nature of the establishment is still controlling. If it is not a retail establishment it is not exempt, even though it meets all the other tests.

The conference agreement adds to section 14 (a) (6), the exemption contained in the present act for employees employed in agriculture, a new exemption for employees employed in connection with the operation and maintenance of ditches, canals, reservoirs, or waterways not owned or operated for profit, or operated on a share-crop basis, which are used exclusively for supply and storing of water for agricultural purposes. A similar provision was included in the House bill.

The House bill extended the exemption for weekly and semiweekly newspapers, contained in section 13 (a) (8) of the act, by extending the exemption to dailies, by increasing the permitted circulation of any exempt newspaper from 3,000 to 5,000, and by permitting the major part of the circulation to be not only within the county where printed and published, but also in any county contiguous thereto whether or not within the same State. The conference agreement contains the same exemption but reduces the permitted circulation of an exempt newspaper from 5,000 to 4,000.

The conference agreement contains a new wage-and-hour exemption, which was provided for in the House bill, for any employee of an employer engaged in the business of operating taxicabs.

The House bill, as well as the Senate amendment, provided a new wage-and-hour exemption for any employee or proprietor in an exempt retail or service establishment engaged in handling telegraph messages for the public under an agency or contract arrangement with a telegraph company if the telegraph message revenue does not exceed $500 a month.

The House bill added a new wage and hour exemption for employees employed in logging and saw milling where the number of employees employed by the employer in forestry or lumbering operations did not exceed 12. The conference agreement provides a minimum wage and overtime exemption for employees employed in planting or tending trees, cruising, surveying, or felling timber, or in preparing or transporting logs or other forestry products to the mill, processing plant, railroad or other transportation terminal. Thus, the conference agreement excludes from the exemption saw mill and other operations in connection with processing of logs or other forestry products. To be exempt, an employee must be employed by an employer who has not more than 12 employees in forestry or logging operations.

The conference agreement also contains additional exemptions which were provided for in the Senate amendment but not in the bill passed by the House. These include:

First. An overtime exemption for individuals employed as outside buyers of poultry, eggs, cream or milk in their raw or natural state.

Second. A minimum wage, overtime, and child-labor exemption for newspaper boys engaged in the delivery of newspapers to the consumer.

Third. In addition, the conference agreement enlarges the exemption for switchboard operators to make it applicable in the case of switchboard operators employed in public telephone exchanges which have less than 750 stations, as compared with 500 stations, as under the present law.

Finally, the conference agreement modifies the child labor agricultural exemption contained in the present law by substituting for the words "while not legally required to attend school," the language "outside of school hours for the school district where such employee is living while he is so employed." It also broadened the exemption with respect to child actors by extending it to performers as well as actors and to radio and television productions, as well as

motion pictures and theatrical productions.

The conference agreement omits the minimum wage and overtime exemptions for employees of employers engaged in ginning, storing, or compressing of cotton or in the processing of cottonseed and for homeworkers employed in sewing baseballs and softballs, both of which were provided in the Senate amendment, and the exemption for rural homeworkers which was contained in the House bill.

ADMINISTRATION

With respect to the administration of the act, the conference agreement retains the present law in this respect. Thus, the authority of the Administrator of the Wage and Hour Division to define "area of production" for purposes of the exemptions contained in sections 7 (c) and 13 (a) (1) is retained. Authority with respect to the administration and enforcement of the child-labor provisions remains in the Secretary of Labor as under existing law. The Solicitor of Labor and his staff will continue to have the responsibility on behalf of the Administrator to bring actions under section 17 of the act and the new actions for recovery of unpaid minimum wages and unpaid overtime compensation provided for under the new section 16 (c).

The conference report authorizes the Administrator to supervise the payment of the unpaid minimum wages or overtime compensation owing to any employee or employees under section 6 or 7 of the act. It is provided that the agreement by any employee to accept such payment shall, upon payment in full, constitute a waiver of any right he may have under section 16 (b) of the act. This provision was included both in the bill as passed by the House and in the amendment passed by the Senate. It is also provided in the conference report, as was provided in the Senate amendment, that the Administrator may at the written request of any employee bring an action to recover any unpaid minimum wages or unpaid overtime compensation owing to such employee under section 6 or section 7 of the act. The conference agreement contains a proviso that the Administrator may not use this authority to test novel issues of law, since he may not use his authority under section 16 (c), and the courts may not take jurisdiction, in any case involving an issue of law where there has not been a final judgment on the issue in any court. The proviso does not prevent the Administrator from bringing suits, or the court from taking jurisdiction, where there are existing legal precedents under the Wage and Hour Act of 1938, except, of course, to the extent that these precedents are changed by the amendments made in the conference agreement.

Also, the omission of specific authorization to the Administrator to join the claims of several employees in one cause of action does not prohibit such joinder. Where, under part IV of the Federal Rules of Civil Procedure, relating to parties, a single action by the Administrator on behalf of more than one employee is permitted, such an action is proper. The conferees had no intention of burdening the courts, employers, and the Administrator with a multiplicity of suits, when one action would accomplish the purpose with proper safeguards for the interessts of all concerned. Therefore, the Rules of Civil Procedure control this question in the district courts of the United States, as do the rules of procedure respectively applicable in the several States and Territories.

Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

Mr. MONRONEY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the conference report?

Mr. MONRONEY. I am, Mr. Speaker, in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MONRONEY moves to recommit the conference report to the conference committee with instructions to the managers on the part of the House to further insist upon the House provisions for the exemption of employees of newspapers of circulation of 5,000 or under.

Mr. BREHM. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BREHM. If I understood the gentleman from Oklahoma correctly, he said he was opposed to the bill in its present form. If I understand the rules correctly, that is incorrect. He is either opposed to it or he is for it. I wonder if the gentleman will state his position?

The SPEAKER. If the gentleman is opposed to the bill in its present form he would be opposed to it. However, if some other Member had asked to qualify to submit a motion to recommit, and said he was absolutely opposed to the bill, unequivocally, as a gentleman said the other day, then of course the Speaker would recognize him.

The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the conference report.

The question was taken; and on a division (demanded by Mr. NICHOLSON) there were—ayes 131, noes 19.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

AMENDMENT OF FEDERAL FARM LOAN ACT

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes," with a Senate amendment thereto, disagree to the Senate amendment, and ask for a conference with the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. COOLEY, PACE, POAGE, HOPE, and AUGUST H. ANDRESEN.

EXTENSION OF REMARKS

Mr. POTTER (at the request of Mr. MARTIN of Massachusetts) was given permission to extend his remarks in the RECORD.

PROVIDING FOR RURAL TELEPHONES

Mr. POAGE. Mr. Speaker, I call up the conference report on the bill (H. R. 2960) to amend the Rural Electrification Act to provide for rural telephones, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of October 17, 1949, p. 15009.)

Mr. POAGE. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the conference report on the rural telephone bill involves several rather minor changes in the bill from the form in which it passed the House. The other body made some changes which the conferees on the part of the House felt could not be accepted. But we do feel that after discussion we have been able to come back to the House with a rather fair agreement relative to the items in disagreement. You will note from the report that the House receded from a number of amendments. Most of these involve rather minor items. The first one is to strike out the word "refinancing." The bill as the House passed it provided that money might be loaned for refinancing of telephone exchanges. The conference report provides that up to 40 percent of the loan can be spent for refinancing, but not in excess of that amount. That enables the small telephone company which does not have the facilities to carry on a reasonably good system to extend its lines and at the same time to improve its system. But it prohibits the making of loans primarily for refinancing the system and simply to enable somebody to get a lower interest rate. It does, however, allow a loan which involves some refinancing and some new construction. We felt that that was a reasonable change in the bill.

The amendments on page 3, amendments 2, 3, 4, and 5, simply make section 12 of the basic Rural Electrification Act applicable to this bill.

Amendment No. 6, on page 3, is new language placed in the bill by the Senate. It has the effect of striking out "public

Mr. WHERRY. I call for a division on the appeal from the decision of the Chair.

The VICE PRESIDENT. The question is, Shall the decision of the Chair stand as the judgment of the Senate? A division has been called for.

On a division the ruling of the Chair was sustained.

The VICE PRESIDENT. If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 6427) was read the third time, and passed.

Mr. McKELLAR. I move that the Senate insist upon its amendments, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. McKELLAR, Mr. HAYDEN, Mr. RUSSELL, Mr. BRIDGES, and Mr. GURNEY conferees on the part of the Senate.

The VICE PRESIDENT. The Senator from Oregon [Mr. MORSE] still has the floor.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. LUCAS. I ask unanimous consent that the Senator from Oregon may yield the floor for the presentation of conference reports, with the understanding that he may resume the floor when the conference reports are disposed of.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. MORSE. I appreciate that request on the part of the Senator from Illinois.

RURAL TELEPHONES—CONFERENCE REPORT

Mr. HOLLAND. Mr. President, I submit a conference report on the bill (H. R. 2960) to amend the Rural Electrification Act to provide for rural telephones, and for other purposes, and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. The report will be read for the information of the Senate.

The report was read.

(For conference report, see p. 15009 of House proceedings for October 17, 1949.)

The VICE PRESIDENT. Is there objection to the present consideration of the conference report?

There being no objection, the report was considered and agreed to.

AMENDMENT OF FEDERAL FARM LOAN ACT

The VICE PRESIDENT laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. HOLLAND. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Vice President appointed Mr. HOLLAND, Mr. ELLENDER, Mr. JOHNSTON of South Carolina, Mr. HICKENLOOPER, and Mr. THYE conferees on the part of the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 1284. An act to amend section 6 of the Federal Airport Act; and

S. 2290. An act to authorize an appropriation for the making of necessary improvements in the cemetery plots at the Blue Grass Ordnance Depot, Richmond, Ky.

The message also announced that the House had agreed to the amendments of the Senate to each of the following bills of the House:

H. R. 4586. An act to authorize the government of the Virgin Islands or any municipality thereof to issue bonds and other obligations; and

H. R. 5184. An act to prove contracts negotiated with the Belle Fourche irrigation district, the Deaver irrigation district, the Westland irrigation district, the Stanfield irrigation district, the Vale Oregon irrigation district, and the Prosser irrigation district, to authorize their execution, and for other purposes.

The message further announced that the House had severally agreed to the amendment of the Senate to the following bills of the House:

H. R. 4686. An act to authorize the issuance of certain public-improvement bonds by the Territory of Hawaii;

H. R. 4966. An act to enable the Legislature of the Territory of Hawaii to authorize the city and county of Honolulu, a municipal corporation, to issue sewer bonds;

H. R. 4967. An act to enable the Legislature of the Territory of Hawaii to authorize the city and county of Honoluiu, a municipai corporation, to issue bonds for the construction of certain public-park improvements in the city of Honolulu;

H. R. 4968. An act to enable the Legislature of the Territory of Hawaii to authorize the city and county of Honolulu, a municipai corporation, to issue flood-control bonds;

H. R. 5459. An act to enable the Legislature of the Territory of Hawaii to authorize the city and county of Honoiuiu, a municipai corporation, to issue bonds for the purpose of defraying the city and county's share of the cost of public improvements constructed pursuant to improvement district proceedings; and

H. R. 5490. An act to enable the Legislature of the Territory of Hawaii to authorize the county of Kauai, Territory of Hawaii, to issue public-improvement bonds.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles, and referred, as indicated:

H. R. 2386. An act to provide for the establishment and operation of a rare and precious metals experiment station at Reno, Nev.; and

H. R. 2736. An act to confer civil and criminal jurisdiction on the State of Wisconsin in certain cases involving Indians; to the Committee on Interior and Insular Affairs.

H. R. 4285. An act to amend the act of July 31, 1946, in order retroactively to advance in grade, time in grade, and compensation certain employees in the postal field service who are veterans of World War II; to the Committee on Post Office and Civil Service.

H. R. 6301. An act to provide for parity in awards of disability compensation; to the Committee on Finance.

H. R. 5361. An act for the relief of Charles G. McCormack, captain, Medical Corps, United States Navy; to the Committee on Armed Services.

INTERNATIONAL WHEAT AGREEMENT—CONFERENCE REPORT

Mr. JOHNSTON of South Carolina. Mr. President, I submit a conference report on the bill (H. R. 6305) to give effect to the International Wheat Agreement signed by the United States and other countries relating to the stabilization of supplies and prices in the international wheat market, and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. The conference report will be read for the information of the Senate.

The conference report was read.

(For conference report, see today's House proceedings on pp. 15138–15139.)

The VICE PRESIDENT. Is there objection to the present consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

The VICE PRESIDENT. The question is on agreeing to the conference report.

Mr. BRIDGES. Mr. President, may we have an explanation of the report? On what points did the conferees agree?

Mr. JOHNSTON of South Carolina. The House language provided for a penalty of three times the value of the cargo. The Senate amended that language and made the penalty the actual value of the cargo. The conferees agreed that the penalty should be twice the value of the cargo. Also the conferees inserted the word "willful" so the provision was that the act must be a willful one. That was one of the main points of agreement.

Mr. BRIDGES. There were no other major agreements?

Mr. JOHNSTON of South Carolina. Two or three very minor agreements were entered into.

The VICE PRESIDENT. The question is on agreeing to the conference report.

The report was agreed to.

AMENDMENT OF FAIR LABOR STANDARDS ACT—CONFERENCE REPORT

Mr. PEPPER. Mr. President, I submit a conference report on the bill (H. R. 5856) to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes, and I ask unani-

mous consent for its present consideration.

The VICE PRESIDENT. The conference report will be read for the information of the Senate.

The report was read.

(For conference report, see pp. 14991–14994 of House proceedings for October 17, 1949.)

The VICE PRESIDENT. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

The VICE PRESIDENT. The question is on agreeing to the report.

Mr. PEPPER. Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a summary in detail of the provisions of the bill to provide for the amendment of the Fair Labor Standards Act of 1938, as amended, agreed to in conference. The conference agreement adopts the approach of the Senate amendment, amending only certain sections of the act, rather than of the House bill, which would have reenacted the entire statute, as amended.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. PEPPER. Mr. President, I also call attention at this time to the language in the conference report, at the bottom of page 16, beginning with the last new paragraph on that bill, and concluding with the words, just before the heading "Industry Committees for Puerto Rico and the Virgin Islands" on page 17, as follows:

> It is the unanimous opinion of the committee of conference that the duties of the Solicitor of Labor are of such a nature that his position should receive the highest possible rate of compensation under the new legislation revising the Classification Act (H. R. 5931).

Mr. BRIDGES. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. BRIDGES. Was an amendment agreed to in conference which would exclude labor employed in woods and forestry operations, including pulpwood?

Mr. PEPPER. Yes. I will say that if the employer has less than 12 employees then those employees engaged in the cutting of the timber and the transportation of the logs either to the mill or to the terminus for transportation, are exempt from both the minimum wage provision and the maximum hours provision of the bill. That would include pulp operations in the woods.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. FERGUSON. I did not catch what it was the Senator offered for the RECORD. Before I could get on my feet it was ordered to be printed in the RECORD.

Mr. PEPPER. It was a statement about the history of the various provisions of the law.

Mr. FERGUSON. Is it intended that that should become such a part of the record as to be considered by a court in interpreting the language of the law?

Mr. PEPPER. The House managers inserted some language in the report, and this was put in to reflect the general point of view of the Senate committee upon the historical background of the legislation.

Mr. FERGUSON. It is not a personal statement from the Senator from Florida?

Mr. PEPPER. It is a statement of the Senator from Florida, but conformable to the views of the Senate conferees, and prepared by the staff of the Senate committee.

Mr. FERGUSON. Should it not be laid before the Senate now?

Mr. PEPPER. I shall be very glad to do so. It is a rather lengthy document. The committee felt that there should be some sort of legislative background of the various provisions, especially because the House conferees incorporated their own views on the subject.

Mr. FERGUSON. Have all the Senate conferees agreed to this statement? Have they agreed that it should be in the language in which it is? It might be used by the court as a means of interpreting a section of the law which might be ambiguous.

Mr. PEPPER. The language was prepared for presentation, reflecting the views of the Senate conferees and those participating on behalf of the Senate, by Mr. Shroyer, on behalf of the Senator from Ohio [Mr. TAFT], and Mr. Lazarus, the committee clerk, and others who have participated all along in the reflection of the views of the members of the Senate committee on this subject.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. SALTONSTALL. I should like to ask the Senator from Florida what the conference report does concerning the fishing industry?

Mr. PEPPER. In respect to the fishing industry, the language of the House bill was admittedly ambiguous. It applied the minimum-wage provisions, but did not apply the overtime provisions of the law to fishing. Finally, after this matter was considered for quite a while in conference, what the conferees agreed upon was to apply the minimum-wage provisions of the law to employees engaged in the canning of sea-food products or aquatic life, but to exempt such employees from the overtime provisions of the law.

Mr. SALTONSTALL. What about the processors of fish?

Mr. PEPPER. The processing of fish is not made subject to coverage. It is only the canning of fish to which the legislation applies. All other fishery employees or sea-food processing employees are exempt, as the present law exempts them. We extend the present law only with respect to the canning of sea-food products, and that only as to the minimum-wage provisions, and not as to the overtime provisions.

Mr. SALTONSTALL. As I understood, the House language included the processing of fish, but the Senate version did not.

Mr. PEPPER. It did not.

Mr. SALTONSTALL. So the conferees eliminated it.

Mr. PEPPER. That is correct.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. PEPPER. I yield.

Mr. WHERRY. I do not think we should rush these conference reports through unless Senators have an opportunity to interrogate Members who are presenting them. I am not a member of the Committee on Labor and Public Welfare, but I think I have a general knowledge of what the Senate did. I have been a member of committees which have written reports in conferences. We have always felt that a conference report had considerable bearing on the interpretation of the law. The Senator from Michigan raised several questions which I would have asked relative to the conference report, and I do not care to go over that ground. However, I heard the Senator from Florida state that Mr. Shroyer, I believe, represented the Senate conferees in the conference with the managers on the part of the House, and that he agreed with the House managers to the statement which the Senator from Florida asked unanimous consent to place in the RECORD.

Mr. PEPPER. I find now, by reference to the counsel of the committee, Mr. Lazarus, that I was unintentionally in error in my statement that Mr. Shroyer had participated in the drafting of the report.

Mr. WHERRY. In order to shorten it, let me say that I do not doubt the Senator's statement at all. However, in the absence of the Senator from Ohio [Mr. TAFT], whom the Senator from Florida mentioned, I feel that we should have a little time to examine the statement which the Senator had printed in the RECORD. I do not want to ask the Senate to listen to the reading of it if it is a long statement. Would the Senator object to reconsideration of the action taken by the Senate in ordering the statement to be printed in the RECORD, so as to permit us to examine the statement, resubmitting it at a later date? I am speaking now only of the statement which accompanied the report.

Mr. PEPPER. So far as the Senator from Florida is concerned, the Senator from Nebraska is at liberty to examine the statement in any detail he wishes. To state the matter fully, it was felt by the Senate staff that the House conferees, in writing a certain section of the language applicable only to the House conferees, had not given the background of the various sections in the way the Senate conferees understood it. It was felt that the point of view which has generally prevailed in the Senate committee should also be a part of the record, rather than that we should go back and quarrel with the House conferees. We did not feel like intervening in the writing of their report. Two of our staff members sat in, but it was pretty generally understood that the House Members wanted to write the language in their own way. Our staff felt that it was only proper that the record should contain the general point of view and the historical

81st Congress, 1st Session | HOUSE OF REPRESENTATIVES | Report No. 1460

AMENDING THE FEDERAL FARM LOAN ACT, AS AMENDED, TO AUTHORIZE LOANS THROUGH NATIONAL FARM-LOAN ASSOCIATIONS IN PUERTO RICO; TO MODIFY THE LIMITATIONS ON FEDERAL LAND-BANK LOANS TO ANY ONE BORROWER; TO REPEAL PROVISIONS FOR SUBSCRIPTIONS TO PAID-IN SURPLUS OF FEDERAL LAND BANKS AND COVER THE ENTIRE AMOUNT APPROPRIATED THEREFOR INTO THE SURPLUS FUND OF THE TREASURY; TO EFFECT CERTAIN ECONOMIES IN REPORTING AND RECORDING PAYMENTS ON MORTGAGES DEPOSITED WITH THE REGISTRARS AS BOND COLLATERAL, AND CANCELING THE MORTGAGE AND SATISFYING AND DISCHARGING THE LIEN OF RECORD

October 19, 1949.—Ordered to be printed

Mr. Cooley, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 3699]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment, as follows:

Change the figure "$75,000" to *$100,000*; and the Senate agree to the same.

HAROLD D. COOLEY,
STEPHEN PACE,
W. R. POAGE,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

ALLEN J. ELLENDER,
By S. L. H.,
SPESSARD L. HOLLAND,
OLIN D. JOHNSTON,
EDWARD J. THYE,
B. B. HICKENLOOPER,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the eonferenee on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Aet, as amended, to authorize loans through national farm-loan assoeiations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effeet eertain eeonomies in reporting and reeording payments on mortgages deposited with the registrars as bond collateral, and caneeling the mortgage and satisfying and diseharging the lien of record; and for other purposes, submit the following statement in explanation of the effeet of the action agreed upon and reeommended in the aeeompanying conference report:

As the bill passed the House there was no limitation on the amount of a Federal land-bank loan which eould be made to any one borrower. The Senate amendment plaeed a limitation of $75,000 on sueh loans. The amendment agreed to in eonferenee inereases this limitation to $100,000. This has the effeet of increasing from $50,000 to $100,000 the limitation now in the aet. Retained in the aet are the requirements that any loan exeeeding $25,000 must be approved by the Land Bank Commissioner and that preference is to be given loans of $10,000 and under.

HAROLD D. COOLEY,
STEPHEN PACE,
W. R. POAGE,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

○

recalled I emphasized this when I spoke several times August 3, 1949. My amendments of that date disclose this as my meaning.

Yes, the 1949 cotton quota bill is being amended today.

The amendment was offered originally in the Senate by Senator ANDERSON. It is on page 14609—in the middle of the page—of the October 12, 1949, CONGRESSIONAL RECORD.

Here is the amendment. It was not explained.

Mr. ANDERSON. Mr. President, I have an amendment which is on the desk, and which I ask to have stated.

The VICE PRESIDENT. The Secretary will state the amendment.

The amendment was, on page 23, after line 4, to insert the following:

"SEC. —. Section 344 (f) (3) of the Agricultural Adjustment Act of 1938, as amended by Public Law 272, Eighty-first Congress, is amended (i) by striking the figure '10' in the first sentence and inserting therefor the figure '15', and (ii) by striking the figure '30' in the proviso and inserting therefor the figure '20'."

I have not heard it explained today; it is found on the last page of the conference report we have before us today. The report is not numbered but accompanies H. R. 5345.

I sought an explanation and include the explanation at this point.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., October 17, 1949.

Hon. LINDLEY BECKWORTH,
House of Representatives.

DEAR MR. BECKWORTH: This is with reference to your letter of October 13, 1949, relating to an amendment being submitted pertaining to subsection (f) 3 of section 344 of Public Law 272, Eighty-first Congress.

This amendment proposed to increase the reserve which county committees may withhold for specified use and adjustments from 10 to 15 percent and, changing the percentage of any such reserve withheld, for use in adjusting allotments otherwise computed between 5 and 15 acres from 30 to 20 percent.

The Department, in its work this year with the Congress pertaining to the cotton-acreage allotment and marketing-quota legislation, has consistently recommended greater flexibility in the allotment procedures by providing adequate reserves for the State and county production and marketing administration committees to use in making specified adjustments which mathematical formulas so often fail to recognize.

This amendment does provide additional flexibility to the county committee by making it possible for them to have more acreage to adjust allotments below 5 acres and above 15 acres and does not alter the acreage that they would have for adjustments for allotments between 5 and 15 acres. Also, such amendment, by increasing the reserve from which new farm allotments may be made, would, if the committees so provided, make more acreage available for this use. The Department, therefore, feels that such an amendment is desirable.

Sincerely yours,

K. T. HUTCHINSON,
Acting Secretary.

I am glad to note that among others to benefit under the terms of the amendment are those farmers who grow 5 bales or less.

Again I assert for peanut quotas to endure, for cotton quotas to endure, they both must be fair to the family-size peanut or cotton farmer. In this direction we must move forward. All types of farmers must receive their fair share of the agricultural income.

I quote a letter I recently received from a constituent of mine:

MINEOLA, TEX.

Hon. Mr. BECKWORTH.

DEAR SIR: See, I am a renter and I want to know how how much cotton I will be allowed to plant next year before I start farming cotton. I am enclosing a letter from the Quitman AAA office.

Will say under the new law you fellows have made instead of putting more fellows on the farm you all are fixing laws to put them off the farm. Me and my son have now about $900 worth of peanuts we can't sell because there wasn't any allotment on these farms, and there are thousands of farms that don't have allotments, so you can see cotton will be on the same order the farms have been laying out during the war and can't get allotments in Wood County.

So let me know how much cotton I will be allowed. If I am cut very bad I will be forced off the farm. I am 60 years old, and farming is all I know and can do, but when you fellows make laws to stop me and others from farming it is too bad. So let me hear from you at once.

I could write a book of how the farmers are being pressed off the farm, and you can see, can't you?

Yours respectfully,

U. S. BELCHER.

Mr. MURRAY of Wisconsin. I thank the gentleman. I have introduced a bill to meet this situation. It provides for a 5-bale minimum for cotton and 500 bushels for wheat.

Mr. COOLEY. Mr. Speaker, I yield such time as he may desire to the gentleman from Texas [Mr. MAHON].

(Mr. MAHON asked and was given permission to revise and extend his remarks.)

Mr. MAHON. Mr. Speaker, on account of time limitations there is, of course, no opportunity for Members of the House who are not members of the Committee on Agriculture to adequately express themselves with respect to the long-range farm bill now before the House of Representatives. As I understand the matter, the situation is this. We either have to approve the bill before us or the farmers of the Nation will be saddled with the so-called Aiken Farm Act. That act provides that agriculture would start downward through a 60 to 90 percent sliding scale arrangement toward collapse and disaster for the farmer and eventually for the country at large. The Aiken Act cannot be tolerated or defended. There is no doubt but that the bill before us is better than the Aiken law.

Moreover as I understand it, the bill before us is far superior to the so-called Anderson bill, and the committee members writing the present bill feel the measure presently being considered is the best that could be secured at this time.

Mr. Speaker, this year and last year and for many previous years I have attended numerous farm meetings and I think I know something about what the agricultural producers desire in a farm program.

The bill before us does not meet the minimum requirements of what we need in a farm program. We should have a guaranteed support of not less than 90 percent of parity on cotton, wheat, grain, sorghum, and other major crops. This bill does not meet these requirements. It only goes part way.

Undoubtedly, the bill before us will become the law. It is either this measure or a less satisfactory law. I hope that the measure can be improved in the future and made more adequate and I shall work with the friends of agriculture in that direction.

May I say that I am amazed at the action of some of the Members of the House from industrial areas who have today expressed emphatic objection to this present bill, claiming that the bill is too generous toward agricultural producers. On the contrary, the measure is inadequate and does not give producers the consideration they deserve. I regret that these Members do not seem to understand the facts.

Mr. FULTON. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Pennsylvania.

Mr. FULTON. I would like to know how the opposition to this bill can break through the gag rule of the farm bloc here to give us more than 1 minute of time. There have been 59 minutes for this particular legislation and but 1 minute against.

Mr. COOLEY. I decline to yield further. But, I would like to observe that this its not supposed to be controversial. It is supposed to be an explanation of a conference report, and I have given to the conferees the time which was placed at my disposal so that they might advise the House concerning the contents of this report. It is not a controversial report, and I do not see any reason why the gentleman should insist on the opposition being heard.

Mr. Speaker, I yield the balance of my time to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Speaker, it had not been my intention to inject myself into this discussion. The bill has been clearly and concisely explained by my distinguished colleague from Georgia [Mr. PACE].

As one of the conferees on this measure I supported the compromise which is now before you. I felt and I still feel that it was the best possible compromise that we could secure at the hands of the representatives of the other body some of whom seem to feel very strongly that we should do as little as possible in the way of supporting farm prices. I had, therefore, accepted this compromise as better than the Aiken bill which would have gone into effect had we not been able to agree. I had recognized that this proposal gave to the farmer less than his fair share of the national income, but gave him more than he would have received had the representatives of the House remained adamant. I had not, therefore, felt any enthusiasm for the measure. However, when Members from metropolitan areas whose constituents have been recipients of all manner of favors at the hands of this Congress, began to snipe at this program and to

criticize it because it would assure the producer of food and fiber some portion of a fair price for his products. I felt that I should come forward and apologize for the legislation. I offer, however, no apology to the citizens of the large cities nor to their Representatives. They have received far more at the hands of this Congress than the Congress has ever provided for the farmer.

They have within the last few months received an increase in the minimum wage which almost doubles the wage guarantee. They have received an increase in social-security payments which almost doubles the payments and greatly increases the number of recipients. In fact, this Congress has extended these benefits to almost every group of American citizens save and except the farmers of our land. Those of our urban citizens who work for the United States Government have within the last few days received substantial salary increases, in fact, every group of Government employees, save Congressmen, from the President to the janitor in my home post office have received salary raises by this Congress. Every individual privately employed over whose income the Government has been able to exercise any degree of control, has likewise enjoyed an increase in his wages and in most cases an improvement in his working conditions.

The farmer still works by the sun and not by the law and when he reduces his hours to those of the average city worker we will no longer need to consider the problem of so-called agricultural surplus—there won't be any. No, my friends, I can't find myself greatly disturbed over the sad plight of the urban consumer who is complaining about paying 90 cents per dozen for eggs and charging it to a farm-support program that brought the farmer from 30 to 35 cents for those same eggs. In no case does the farm-support program involve supports in excess of 90 percent of a fair price. Does any Representative of a urban district seriously contend that the consumers of this Nation should be given the opportunity to buy their food and fiber at less than a fair price? Does anyone object to the farmer receiving a fair price? Neither this compromise nor any other farm legislation that has been passed during my 13 years in Congress undertakes to assure any farmer anything more.

The truth of the matter is that the prices my urban friends complain of are not the result of the prices paid the farmer. They are the result of the high cost of transportation, distribution and dealers' profits. As a matter of fact the investigations of our Committee have indicated that the food that is sold in the retail stores in Manhattan and Brooklyn more than doubles in price from the time it leaves the Jersey piers on the west side of the Hudson River. That food has come from all parts of the United States—20 percent of it has moved clear across the continent from California and yet when it comes to rest on the Jersey piers with all the freight, all the insurance, all of the middle-man's profits up to that time, all of the labor, all of the harvesting, all of the cost of making the crop and whatever profit the farmer has, we can only account for half of the price that will be asked the housewife just across the river.

Obviously the price that the farmer receives is a small part of the price that the housewife pays. I would, therefore, suggest that our friends from the metropolitan areas might do well to do some house cleaning at home before they criticize the farmer for asking for 75 to 90 percent of a fair price and that, my friends, is all this bill gives to anyone. I don't think that it is enough for the farmer and in all frankness I expect to come back at a later date asking for a better deal for the farmers of America. Nor would I ask this House or the farmers of this land to take this bill if I saw any possibility of securing a more equitable piece of legislation. I, therefore, direct my apology, not to the consumer, but to the man who toils form sun to sun producing the food and fibre needed to feed and clothe our Nation. To him I would say that I sincerely regret that the conferees on the part of the House were unable to secure the guarantee of at least 90 percent of a fair price for his products when he submits himself to production controls. I would say to him that it is my belief that at any time that farmers are willing to keep their production of a basic crop within the limits fixed by the allotment laws they should in turn be assured of a price of at least 90 percent of parity, but we were not faced with the choice of a fair and equitable bill as against this bill. We were faced with a choice between this compromise and the Aiken bill which would have reduced farm income even further. We were faced with conferees of the other body some of whom in effect said that "if we give the farmer a fair price for a few years some future Congress will reduce his status and probably bring him to bankruptcy." Therefore, these representatives propose to save the farmer from future distruction by destroying him at the moment with either the Aiken or the Anderson bill. For my part, I am going to get for my farmers the very best assurances I can and if they are ever destroyed I want it to be at the hands of those who frankly admit themselves to be the farmer's enemies and not at the hands of alleged friends.

You cannot maintain a prosperous and a sound economy over the Nation with a bankrupt agriculture. The industrial workers of this Nation must know that they cannot long enjoy full or profitable employment when farmers are required to sell and produce at less than the cost of production. The whole Nation can be prosperous together, but New York City cannot prosper while the farmers in the middlewest or the south are in distress. This compromise does not go as far as it should in behalf of the farmer, but it goes just as far as it was possible for your conferees to go. I, therefore, urge the House to adopt the report.

The SPEAKER. The time of the gentleman from Texas has expired. All time has expired.

Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. The question is on the conference report.

The question was taken; and on a division (demanded by Mr. FULTON) there were—ayes 175, noes 34.

Mr. HERTER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and thirty-three Members are present, a quorum.

Mr. FULTON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were refused.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

AMENDMENT OF FEDERAL FARM LOAN ACT

Mr. POAGE submitted the following conference report and statement on the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes:

CONFERENCE REPORT (H. REPT. NO. 1460)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment, as follows:

Change the figure "$75,000" to "$100,000"; and the Senate agree to the same.

HAROLD D. COOLEY,
STEPHEN PACE,
W. R. POAGE,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

ALLEN J. ELLENDER,
By S. L. H.
SPESSARD L. HOLLAND,
OLIN D. JOHNSTON,
EDWARD J. THYE,
B. B. HICKENLOOPER,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes

of the two Houses on the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

As the bill passed the House there was no limitation on the amount of a Federal land-bank loan which could be made to any one borrower. The Senate amendment placed a limitation of $75,000 on such loans. The amendment agreed to in conference increases this limitation to $100,000. This has the effect of increasing from $50,000 to $100,000 the limitation now in the act. Retained in the act are the requirements that any loan exceeding $25,000 must be approved by the Land Bank Commissioner and that preference is to be given loans of $10,000 and under.

HAROLD D. COOLEY,
STEPHEN PACE,
W. R. POAGE,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

Mr. POAGE. Mr. Speaker, I call up the conference report on the bill H. R. 3699 and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

Mr. POAGE. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

COMMITTEE ON DISTRICT OF COLUMBIA

Mrs. NORTON. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged resolution (H. Res. 396) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That the expenses of conducting the studies and investigations authorized by House Resolution 340, Eighty-first Congress, incurred by the Committee on the District of Columbia, not to exceed $10,000, including expenditures for the employment of experts, special counsel, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by such committee and signed by the chairman of the committee and approved by the Committee on House Administration.

The resolution was agreed to.

A motion to reconsider was laid on the table.

COMMITTEE ON BANKING AND CURRENCY

Mrs. NORTON. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged resolution (H. Res. 332) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That the expenses of conducting the studies and investigations authorized by H. Res. 331, Eighty-first Congress, incurred by the Committee on Banking and Currency, acting by a whole or by subcommittee, not to exceed $60,000, including expenditures for employment, travel, and subsistence of accountants, experts, investigators, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House, on vouchers authorized by such committee or subcommittee, signed by the chairman of such committee or subcommittee, and approved by the Committee on House Administration.

SEC. 2. The official committee reporters may be used at all hearings held in the District of Columbia, if not otherwise officially engaged.

With the following committee amendment:

Strike out "$60,000" and insert "$25,000".

The committee amendment was agreed to.

The resolution was agreed to.

A motion to reconsider was laid on the table.

COMMITTEE ON AGRICULTURE

Mrs. NORTON. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged resolution (H. Con. Res. 146) and ask for its immediate consideration.

The Clerk read the concurrent resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That, in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Committee on Agriculture of the House of Representatives be, and is hereby, authorized and empowered to have printed for its use 1,000 additional copies each of the hearings held before said committee during the Eighty-first Congress entitled "General Farm Program," part 3 and part 5, and 500 additional copies each of those entitled "Rural Telephones", "Forestry", and "1949 Fertilizer Supplies", and 500 additional copies each of those entitled "General Farm Program", part 1, part 2, part 4, and part 6.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

JOINT COMMITTEE ON ATOMIC ENERGY

Mrs. NORTON. Mr. Speaker, by direction of the Committee on House Administration, I offer a privileged resolution (H. Con. Res. 147) and ask for its immediate consideration.

The Clerk read the concurrent resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Joint Committee on Atomic Energy be authorized to have printed for its use 50,000 copies of Senate Report 1169, entitled "Report on Investigation into the United States Atomic Energy Commission," and which was introduced in the Senate on October 13, 1949.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

LOUISE KAELBER

Mrs. NORTON. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged resolution (H. Res. 403) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That there shall be paid out of the contingent fund of the House to Mrs. Louise Kaelber, widow of George E. Kaelber, late an employee of the House of Representatives an equal amount to 6 months' salary at the rate he was receiving at the time of his death and an additional amount not to exceed $350 toward defraying the funeral expenses of said George E. Kaelber.

The resolution was agreed to.

A motion to reconsider was laid on the table.

EXCHANGE OF LANDS SITUATED IN IOSCO COUNTY, MICH.

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 5601, an act to authorize the exchange of certain lands of the United States situated in Iosco County, Mich., for lands within the national forests of Michigan, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 2, line 6, after "amended", insert ": *Provided,* That if the mayor or other appropriate official of said town of East Tawas certifies in writing to the Secretary of Agriculture that any such lands authorized to be exchanged will be used for public purposes, the value of the lands to be accepted in exchange therefor by the Secretary of Agriculture shall be of a value at least equal to the sum of (1) the value of such lands used for nonpublic purposes, and (2) 50 percent of the value of such lands used for public purposes: *Provided further,* That if, at any time during the 5-year period after such exchange, such lands originally used for public purposes cease to be so used, title thereto shall revert to the United States unless said town of East Tawas pays or transfers to the United States money, lands, or other valuable consideration equal to 50 percent of the value (computed as of the date of such exchange) of such lands."

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. COOLEY]?

There was no objection.

The Senate amendment was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. WOLVERTON asked and was given permission to extend his remarks in the RECORD in three instances; in two of which to include addresses by the Governor of New Jersey.

RESEARCH LABORATORY, QUARTERMASTER CORPS, UNITED STATES ARMY

Mr. KILDAY. Mr. Speaker, I ask unanimous consent for the immediate

consideration of the bill (S. 2382) to authorize the construction of a research laboratory for the Quartermaster Corps, United States Army, at a location to be selected by the Secretary of Defense.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. KILDAY]?

Mr. ARENDS. Reserving the right to object, Mr. Speaker, will the gentleman from Texas make an explanation of this bill?

Mr. KILDAY. Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. MCCORMACK] to explain this bill.

Mr. MCCORMACK. Mr. Speaker, this bill authorizes the construction of a research laboratory for the Quartermaster Corps of the Army. There is no question but that one is very vitally needed. It is an important element in our national defense.

There has been some honest disagreement between delegations in Congress as to prior bills, but it has all been ironed out in this bill, because the bill provides that a committee of experts—I presume they will be scientists—shall be appointed to make the selection.

Mr. ARENDS. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That there is hereby authorized to be appropriated not to exceed $11,000,000 for the acquisition of land and for the construction thereon of a research laboratory for the Quartermaster Corps, United States Army, at a location to be selected by the Secretary of Defense, and for such utilities and appurtenances thereto as, in the judgment of the Secretary of the Army, may be necessary in connection therewith. The site shall be chosen on the basis of recommendations of an impartial ad hoc committee of experts to be appointed by the Research and Development Board.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

ALASKA COMMUNICATION SYSTEM

Mr. KILDAY. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 1578) to authorize the Secretary of the Army to proceed with construction at stations of the Alaska Communication System.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. KILDAY]?

Mr. ARENDS. Mr. Speaker, reserving the right to object, I wish the gentleman from Texas would make an explanation of this bill.

Mr. KILDAY. Mr. Speaker, this bill provides for an extension of the communication system in Alaska. It is actually a portion of a bill for improvements in Alaska, which was passed by the House recently. Because of the civil nature of it, the military supplies and communications for the civilian population of Alaska comes in a separate bill, but it is actually a part of the bill heretofore passed. If there is any further detailed explanation desired, I will be glad to give it.

Mr. ARENDS. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Army is hereby authorized to establish or develop installations and facilities by the construction, installation, or equipment of temporary or permanent public works, including buildings, facilities, appurtenances, and utilities, at stations of the Alaska Communication System at the following locations:

Adak, Aleutian Islands: Area utilities for use jointly with the Department of the Air Force and the Department of the Navy, $175,000.

Anchorage, Alaska: Family quarters, operational buildings, warehouse, garage, and utilities, $800,900.

Anchorage-Fairbanks, Alaska: Line maintenance buildings and utilities between Anchorage and Fairbanks, $175,000.

Anchorage-Fairbanks, Alaska: Operational buildings, garage, warehouse, and utilities at three locations between Anchorage and Fairbanks, $545,550.

Bethel, Alaska: Operational buildings and utilities, $20,000.

Big Delta, Alaska: Family quarters, operational buildings, warehouse, garages, and utilities, $354,579.

Cathedral Bluffs, Alaska: Family quarters, operational buildings, warehouse, garages, and utilities, $350,684.

Cape Fanshaw, Alaska: Family quarters, operational buildings, and utilities, $175,000.

Cold Bay, Alaska: Family quarters, operational buildings, garages, and utilities, $83,500.

Cordova, Alaska: Operational buildings and utilities, $28,400.

Eielson Field, Alaska: Family quarters, operational buildings, garages, and utilities, $307,255.

Fairbanks, Alaska: Family quarters, operational buildings, garages, warehouses, and utilities, $1,407,220.

Haines, Alaska: Family quarters, operational buildings, and utilities, $60,500.

Juneau, Alaska: Family quarters, operational buildings, warehouse, garages, and utilities, $233,340.

Kotzebue, Alaska: Operational building and utilities, $30,000.

Lena Point, Alaska: Family quarters, operational buildings, warehouse, garage, and utilities, $149,900.

Mile 33, Alaska: Operational building and utilities, $46,400.

Mitchell Point, Alaska: Family quarters, operational buildings, and utilities, $175,000.

Naknek, Alaska: Family quarters, operational buildings, and utilities, $480,600.

Narrow Point, Alaska: Family quarters, operational buildings, and utilities, $175,000.

Nome, Alaska: Family quarters, operational buildings, and utilities, $289,000.

Northway, Alaska: Family quarters, operational buildings, warehouse, garages, and utilities, $377,204.

Petersburg, Alaska: Operational buildings and utilities, $74,400.

Point Agassiz, Alaska: Family quarters, operational buildings, and utilities, $175,000.

Portage, Alaska: Operational building and utilities, $100,000.

Skagway, Alaska: Family quarters, warehouse, garages, and utilities, $91,900.

Thane, Alaska: Family quarters, operational buildings, and utilities, $175,000.

Ketchikan, Alaska: Rehabilitation of family quarters, operational buildings, and utilities, $157,800.

Kodiak, Alaska: Operational buildings and utilities, $12,580.

Seattle, Washington: Family quarters, operational buildings, warehouse, submarine cable tanks, garages, and utilities, $436,500.

SEC. 2. There is hereby authorized to be appropriated, out of any money in the Treasury of the United States not otherwise appropriated, such sums of money as may be necessary toward meeting the purposes of this act; and with respect to projects within and without continental United States, the approximate partial cost for each project enumerated and authorized in section 1 of this act may, in the discretion of the Secretary of the Army, be varied upward 10 percent, but the total cost of the work on the projects authorized by this act shall not exceed $7,663,212. Any such appropriation shall be available under the direction of the Secretary of the Army for expenses incident to construction, including administration, overhead, planning, and surveys, and shall be available until expended: *Provided,* That any work undertaken under this authorization may be prosecuted by direct appropriations, or by both direct appropriations and continuing contracts subject to the availability of subsequent appropriations: *Provided further,* That construction of family quarters under this authorization shall be subject to the terms and conditions set forth in the last six provisos of section 3 of the act of June 12, 1948 (Public Law 626; 62 Stat. 379–380).

SEC. 3. To accomplish the above-authorized construction the Secretary of the Army is authorized to acquire lands and rights pertaining thereto, or other interest therein, including the temporary use thereof, by donation, purchase, exchange of Government-owned lands, or otherwise, without regard to section 3648, Revised Statutes, as amended.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

TO AMEND THE INDEPENDENT OFFICES APPROPRIATION ACT FOR THE FISCAL YEAR 1950

Mr. DURHAM. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2668) to amend the Independent Offices Appropriation Act for the fiscal year 1950.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DURHAM]?

Mr. ARENDS. Mr. Speaker, reserving the right to object, will the gentleman make a statement with reference to this bill?

Mr. DURHAM. I will be glad to. This measure is brought about due to the fact that last year when the independent offices appropriation bill was under consideration there was a rider placed on the bill in the Senate which provided at that time that no new construction project, for which an estimate was not included in the budget for the current fiscal year, could be allowed. The Atomic Energy Commission desires, of course, at this time to start some new construction, which was not included in the present fiscal year budget. This proviso also states that it shall not apply to any construction except technical construction, construction where you cannot carry out your completed plans. It in no way applies to any construction such as housing or ordinary construction that is used in the atomic energy plants.

General Assembly, including three of the permanent members of the Security Council. The resolution reaffirms the faith of the Congress in the United Nations and requires that the proposed agreement: (1) shall be based on article 51 of the Charter and shall not in any way impair the right of self-defense; (2) shall provide for the forces each signatory is to maintain for the immediate use of the United Nations; (3) shall specify that those signatories, who are members of the Security Council, will take steps to remove from the agenda of the Security Council matters pertaining to a threat to or a breach of the peace, or act of aggression when the Security Council is prevented from fulfilling its duties; and (4) shall take effect when ratified by a majority of the United Nations including three permanent members of the Security Council.

3. Senate Concurrent Resolution 56, introduced by Mr. TOBEY for himself and 18 other Senators on July 26, 1949, resolves that it is the sense of the Congress that the United States should support and strengthen the United Nations, and should seek its development into a world federation open to all nations with limited powers adequate to preserve peace through the enactment and enforcement of world law.

4. Senate Concurrent Resolution 57, introduced by Mr. KEFAUVER for himself and 19 other Senators on July 26, 1949, requests the President to invite the democracies which sponsored the North Atlantic Treaty to name delegates to meet in a federal convention to explore how far their peoples, and the peoples of such other democracies as the convention may invite to send delegates, can apply among them, within the framework of the United Nations, the principles of free federal union.

5. Senate Resolution 133, introduced by Mr. SPARKMAN for himself and 10 other Senators on July 8, 1949, proposes to implement the North Atlantic Treaty in part by revising the United Nations Charter so as to eliminate the veto and avert an armaments race. The resolution further provides for the creation of an international police force under the Security Council and the World Court. If these proposals are vetoed by a permanent member of the Security Council, a world pact for mutual defense is proposed within the United Nations open to all nations.

The resolution would also implement the North Atlantic Treaty by establishing an international contingent recruited from the smaller sovereign states, and stationed either in western Germany or in the smaller states, which would act as auxiliary to the national armed forces of the participating member states. It would be equipped by the military assistance program contemplated under article 3 of the North Atlantic Treaty and would be organized and commanded by the special defense committee to be established under article 9. The committee could act only on the affirmative vote of six of the seven member states.

6. Senate Resolution 134, introduced by Mr. FLANDERS and Mr. TAFT on July 14, 1949, urges the President to extend the Monroe Doctrine to western Europe on such terms as will best meet the present emergency and serve as a continuing support for the objectives of the United Nations.

CORRECTION OF THE RECORD

Mr. HICKENLOOPER. Mr. President, yesterday, on page 15212 of the RECORD, column 3, in connection with a discussion of the bill (H. R. 4569), which is a bill authorizing the transfer of Fort Des Moines property to the State of Iowa, in remarks I made, which were entirely impromptu, in the middle of the third column, in the third paragraph of my remarks, near the bottom, I am quoted as saying, "But eventually to use all the land for National Guard purposes and public park purposes."

Mr. President, it is very probable that I said "public park purposes." I do not recall saying it. I want to correct the RECORD by saying that if I did say "public park purposes" it was by inadvertence, because I do not know of any intention of the State of Iowa to use that ground for public park purposes. It expects to use it for the National Guard, eventually, and for certain other public purposes. I should like to correct the RECORD by having the word "park" taken out and the word "other" inserted before the word "public", so that it will read "for National Guard purposes and other public purposes."

The VICE PRESIDENT. The correction will be made.

STATEMENT OF THE INVESTIGATIONS SUBCOMMITTEE OF THE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

Mr. HOEY. Mr. President, I ask unanimous consent to insert in the Appendix of the edition of the RECORD which is to be printed following the adjournment, a statement on behalf of the Subcommittee on Investigations of which I am chairman, of the Committee on Expenditures in the Executive Departments.

The VICE PRESIDENT. Without objection, it is so ordered.

HOSPITAL FOR TREATMENT OF INDIANS AT ALBUQUERQUE, N. MEX.

The VICE PRESIDENT laid before the Senate the amendment of the House of Representatives to the bill (S. 2404) authorizing an appropriation for the construction, extension, and improvement of a county hospital at Albuquerque, N. Mex., to provide facilities for the treatment of Indians, which were on page 4, to strike out lines 8 to 25, inclusive, and on page 5, strike out lines 1 to 13, inclusive; on page 5, line 14, strike out "Sec. 3" and insert: "Sec. 2", and on page 7, line 21, strike out "Sec. 4" and insert "Sec. 3."

Mr. McFARLAND. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

UNIFORM LAW CONCERNING COMMON-TRUST FUNDS

The VICE PRESIDENT laid before the Senate the amendment of the House of Representatives to the bill (S. 1580) concerning common-trust funds and to make uniform the law with reference thereto which was to strike out all after the enacting clause and insert:

SECTION 1. Establishment of common-trust funds: Any bank or trust company qualified to act as fiduciary in the District of Columbia may, subject to such rules and regulations as may be promulgated from time to time by the Board of Governors of the Federal Reserve System under the provisions of section 11 (k) of the Federal Reserve Act, as amended (12 U. S. C. 248 (k)), pertaining to the collective investment of trust funds by national banks, establish common-trust funds for the purpose of furnishing investments to itself as fiduciary, or to itself and others as cofiduciaries; and may, as such fiduciary or cofiduciary, invest funds which it lawfully holds for investment in interests in such common-trust funds, if such investment is not prohibited by the instrument, judgment, decree, or order creating such fiduciary relationship, and if, in the case of cofiduciaries, the bank or trust company procures the written consent of its cofiduciaries to such investment.

SEC. 2. Taxability of common-trust funds: (a) A common trust fund, as herein defined, shall not be subject to any tax imposed by the District of Columbia Income and Franchise Tax Act of 1947, as amended, and for the purpose of said act shall not be deemed to be a corporation.

(b) The net income of a common-trust fund shall be computed in the same manner and on the same basis as in the case of an individual. Each participant in a common-trust fund shall include, in computing its net income its proportionate share of the net income of such fund, whether or not distributed to it, and the amount so included in the net income of a participant shall be taxable to such participant, or its beneficiaries, in the manner and to the extent provided in title IX of the District of Columbia Income and Franchise Tax Act of 1947, as amended, as if any amount not distributed to the participant during its taxable year actually had been so distributed.

(c) No gain or loss shall be realized by a common-trust fund upon the admission or withdrawal of a participant, or upon the admission or withdrawal of any interest of a participant. The withdrawal of any participating interest by a participant shall be treated as a sale or exchange of such interest by such participant.

(d) Every bank or trust company maintaining a common-trust fund shall make a return under oath for the taxable year of such fund.

(e) If the taxable year of a common-trust fund is different from that of a participant therein, the proportionate share of the net income of such fund to be included in computing the net income of such participant for its taxable year shall be based upon the net income of such fund for its taxable year ending within the taxable year of such participant.

SEC. 3. Court accountings: Unless ordered by a court of competent jurisdiction the bank or trust company operating such common-trust funds is not required to render a court accounting with regard to such common-trust funds; but it may, by application to the United States District Court for the District of Columbia, secure approval of such accounting on such conditions as the court may establish.

SEC. 4. Uniformity of interpretation: This act shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of the District of Columbia with the law of those States which enact the Uniform Common-Trust Fund Act.

SEC. 5. Short title: This act may be cited as the "Uniform Common-Trust Fund Act."

SEC. 6. Severability: If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

SEC. 7. Repeal: All acts or parts of acts which are inconsistent with the provisions of this act are hereby repealed.

SEC. 8. Time of taking effect: This act shall take effect November 1, 1949, and shall apply

to fiduciary relationships then in existence or thereafter established.

Mr. JOHNSTON of South Carolina. I move that the Senate concur in the amendment of the House.

The motion was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 33) providing for the ratification by Congress of a contract for the purchase of certain Indian lands by the United States from the Three Affiliated Tribes of Fort Berthold Reservation, N. Dak., and for other related purposes.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 162) to provide basic authority for the performance of certain functions and activities of the Department of Commerce, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. PRIEST, Mr. SADOWSKI, and Mr. O'HARA were appointed managers on the part of the House at the conference.

AMENDMENT OF FEDERAL FARM LOAN ACT—CONFERENCE REPORT

Mr. HOLLAND. Mr. President, I submit a conference report on House bill 3699, and ask unanimous consent for its present consideration.

The VICE PRESIDENT. The report will be read for the information of the Senate.

The report was read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3699) to amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment, as follows: Change the figure "$75,000" to "$100,000"; and the Senate agree to the same.

ALLEN J. ELLENDER
(By S. L. H.),
OLIN D. JOHNSTON,
SPESSARD L. HOLLAND,
EDWARD J. THYE,
B. B. HICKENLOOPER,
Managers on the Part of the Senate.

HAROLD D. COOLEY,
STEPHEN PACE,
W. R. POAGE,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

Mr. HOLLAND. Mr. President, the conference report is unanimously agreed to by the conferees on the part of both Houses. The only effect of the report is to raise the maximum limit of loans from farm loan banks from $75,000 to $100,000. I ask for the approval of the report.

The VICE PRESIDENT. Is there objection to the present consideration of the report?

There being no objection, the report was considered and agreed to.

FAREWELL STATEMENT BY SENATOR BALDWIN

Mr. BALDWIN. Mr. President, this is the last session the junior Senator from Connecticut will attend as a Member of the United States Senate. On December 17, I expect to take the oath as a justice of the Supreme Court of Connecticut, and I shall tender my resignation at that time. Before I take my leave, however, there are just a few words of appreciation that I should like to say.

I wish to express to you, Mr. President, my profound thanks for the kindly, understanding consideration which you personally have always shown to me. It has been one of the rare and most pleasant experiences of my lifetime to have known you and to have shared with the Senate the opportunity of enjoying your kindly and genial association.

I wish to express my most sincere thanks, too, to all the officers of the Senate, to my distinguished friend, the able senior Senator from Illinois [Mr. LUCAS], the leader in the Senate of the majority party; to my distinguished friend, the able junior Senator from Nebraska [Mr. WHERRY], the leader in the Senate of my own party; to the clerks of the Senate; to the secretaries; and to all the staff. They have always been most willing and helpful to one who, I must confess, has often needed their help.

To my colleagues in the Senate, I say that I shall always hold you in high esteem and treasure your friendship. You have ever been friendly, helpful, understanding. I wish that the people of the country might know, as I have come intimately to know, how earnest, sincere, conscientious, and able you are. You have given a new and broader meaning to the word "work." Your manner of dealing with your colleagues has demonstrated a richer import to the term "integrity." You have added a shining lustre to the word "politician"—a term which all too many of our fellow citizens fail to understand. Honest political and personal disagreements there will always be. But so long as this body maintains its integrity, understanding, and democracy—and I mean everything that word implies—to which all of you have so ably contributed, this, our Republic, I know, with God's grace, will endure. I have had an experience here that will serve me well in the public service to which I go.

It has been a memorable experience to have been associated with you, for I know of no finer group of men anywhere, in any walk of life. I shall miss these daily associations.

I can only say to you, from my heart, thanks for all you have been to me and have done for me. The door of the little salt-box house in Stratford, which I call home, will always be gladly opened to welcome any of you who can come to the old Yankee State of Connecticut.

Thank you very much. [Applause.]

TRIBUTES TO SENATOR BALDWIN

Subsequently, the following tributes were paid to Senator BALDWIN:

Mr. McMAHON. Mr. President, I was at the White House conferring with the President of the United States earlier today when the junior Senator from Connecticut [Mr. BALDWIN] spoke about his prospective resignation from the Senate of the United States. I am grateful for the reference he made to me. I have since had the privilege of reading his remarks.

The Senator and I have been friends for more than 20 years. I have not only an affection for him, but a profound respect for his integrity and his ability, for his patriotism, and for his devotion to his country, his State, and his family. I am sure he takes with him to the supreme court of our State the most genuine and heartfelt wishes for a long and honorable career on the bench. We all wish him happiness in the years to come.

Mr. LUCAS. Mr. President, I desire to join my colleague the senior Senator from Connecticut [Mr. McMAHON], who just delivered the brief tribute to his distinguished colleague [Mr. BALDWIN], who is serving perhaps his last day in the United States Senate. I am very grateful to the junior Senator from Connecticut for the kind remarks he made about me in his brief address to the Senate earlier today.

During the time I have served as majority leader of the Senate I have had many occasions to discuss various problems with the junior Senator from Connecticut, and while he and I did not always agree upon various measures which have been before the Senate, I have found him at all times to be a gentleman, one of the old school, if I may say so, courteous, kind, tolerant, and fair, one whose integrity could not be questioned.

I am sure that all Members of the Senate, irrespective of their political affiliations, regret to see the distinguished Senator leave this body. I think I speak for all my colleagues on this side of the aisle, as well as other Senators, when I say that we wish for him every success in his new venture, in his continued political career. We are certain that his experience in this great legislative body will be of immeasurable value to him as he ponders over the innumerable questions which will be before him for decision as a member of the Supreme Court of Connecticut.

Mr. SALTONSTALL. Mr. President, as a New Englander and as one who worked with the Senator from Connecticut for a period of 4 years while we both occupied the office of Governor in our respective States, and who has worked with him here in the Senate, I wish to add my word of best wishes for him in his future career as a member of the judiciary.

[Public Law 433—81st Congress]

[Chapter 786—1st Session]

[H. R. 3699]

AN ACT

To amend the Federal Farm Loan Act, as amended, to authorize loans through national farm-loan associations in Puerto Rico; to modify the limitations on Federal land-bank loans to any one borrower; to repeal provisions for subscriptions to paid-in surplus of Federal land banks and cover the entire amount appropriated therefor into the surplus fund of the Treasury; to effect certain economies in reporting and recording payments on mortgages deposited with the registrars as bond collateral, and canceling the mortgage and satisfying and discharging the lien of record; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 672), is hereby further amended by adding a new paragraph to said section immediately following the second paragraph thereof to read as follows:

"Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm-loan associations, and the interest rate applicable to such loans shall be as provided in section 12 of this Act. Said associations shall be organized pursuant to section 7 of this Act, except that, upon the recommendation of the Federal land bank concerned, any such national farm-loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than $20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm-loan association and any national farm-loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm-loan association or joins a national farm-loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in the fifteenth paragraph of section 7 of this Act (title 12, U. S. C. 723 (d)); and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement."

(b) The first sentence of the twelfth paragraph of section 7 of the Federal Farm Loan Act, as amended (title 12 U. S. C. 723 (a)), is further amended by striking the words "in the continental United States".

Sec. 2. Paragraph "Seventh" of section 12 of the Federal Farm Loan Act (title 12, U. S. C. 771) is hereby amended to read as follows:

"Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of $100,000, but loans to any one borrower shall not exceed $25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under."

SEC. 3. All of paragraph "Tenth" of section 13 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 781, Tenth), except the first and third sentences thereof is hereby repealed. The Secretary of the Treasury shall cause to be carried to the surplus fund and covered into the Treasury the total amount appropriated for subscriptions to paid-in surplus of the Federal land banks and now held in the revolving fund created pursuant to the provisions of law hereby repealed.

SEC. 4. The first paragraph of section 22 of the Federal Farm Loan Act, as amended (title 12, U. S. C. 891), is hereby amended to read as follows:

"Whenever any Federal land bank, or joint-stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm-loan bonds, it shall forthwith notify the farm-loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns."

SEC. 5. The first sentence of section 5 (a) of the Farm Credit Act of 1937 (50 Stat. 703) is amended to read as follows: "There shall be twelve districts in the United States, including Alaska, Puerto Rico, and Hawaii, which shall be known as Farm Credit Districts and may be designated by number."

Approved October 29, 1949.